

ABOUT THE COVERS

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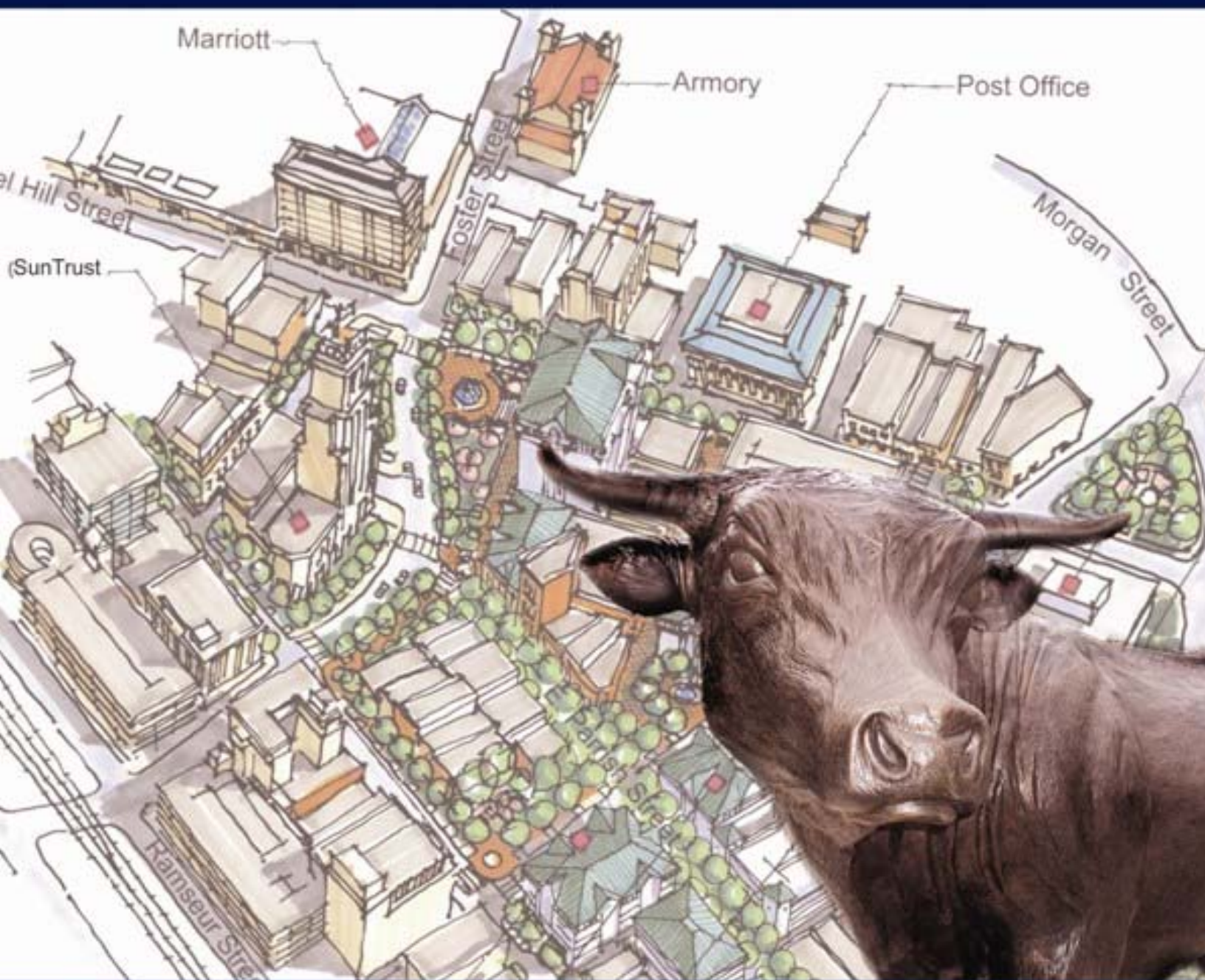
STREETSCAPE DRAWING, DOWNTOWN DURHAM
WITH CUT OUT PICTURE OF “MAJOR” THE BULL

BACK

STREETSCAPE DRAWING OF CITY CENTER PLAZA
WHERE “MAJOR” THE BULL WILL BE PLACED

DESIGNED BY THE PUBLIC AFFAIRS OFFICE

City of Durham North Carolina



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005

***Comprehensive Annual
Financial Report***

***City of Durham
North Carolina***

For the Fiscal Year Ended June 30, 2005

Kenneth C. Pennoyer, Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Durham,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

CITY OF DURHAM, NORTH CAROLINA
Comprehensive Annual Financial Report
Year Ended June 30, 2005

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DURHAM



CITY OF MEDICINE

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November 28, 2005

**To the Honorable Mayor and Members of the City Council
City of Durham, North Carolina**

The Comprehensive Annual Financial Report (CAFR) of the City of Durham (City) for the fiscal year ended June 30, 2005 (FY 2004-05) is hereby submitted. As required by North Carolina General Statutes (NCGS), the CAFR includes financial statements that have been audited by an independent certified public accounting firm. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in five sections: Introductory, Financial, Accompanying Financial Schedules, Statistical, and Single Audit. The Introductory Section includes this letter of transmittal, an organization chart, and a copy of the Certificate of Achievement for Excellence in Financial Reporting. The Financial Section contains the Independent Auditor's Reports, government wide statements, notes to the financial statements, and more detailed combining and individual fund statements and schedules. The Accompanying Financial Schedules include selected unaudited schedules related to budget, taxes, assessments, and debt. The Statistical Section provides selected financial and general information. The Single Audit Section includes the Independent Auditor's Reports on internal controls and compliance with laws and regulations, and a schedule of expenditures of federal and state awards. This section has been prepared in accordance with the provisions of the Single Audit Act, U.S. Office of Management and Budget Circular A-133 and NCGS 159-34.

The financial reporting entity includes all of the City's funds. Component units are legally separate entities for which the City has financial control. Financial control by or dependence on the City is determined on the basis of budget adoption, taxing power, outstanding debt secured by the revenues or general obligation of the City, the obligation of the City to finance any deficits or receipt of significant subsidies from the City. Based on these criteria the City does not have any discretely presented component units. Blended component units are legally separate entities; however, in substance, their operations are included as part of the primary government.

Generally Accepted Accounting Principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of

Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Durham's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF DURHAM

Durham is a city nestled on the rolling hills of central North Carolina. It is the fourth largest city in the state, the county seat, and the only municipality in Durham County. The city takes pride in its educational, cultural, athletic, and medical assets. Durham covers an area of 102.97 square miles. The estimated population of 206,778 includes a rich diversity of racial and ethnic backgrounds.

The City of Durham has operated under the Council-Manager form of government since 1921. Durham City Council is comprised of seven members: three members from specific wards, three at-large members, and the Mayor. The terms for City Council seats are staggered, and nonpartisan elections are held every two years. City Council members serve four year terms and the Mayor serves a two year term. City Council is the legislative and policy-making body for Durham and is the final authority on most matters relating to the City. The Council is responsible for establishing general policies for the City; appointing the City Manager, City Attorney, City Clerk, and members of various boards and commissions; enacting ordinances, resolutions and orders, reviewing the annual budget, and authorizing contracts on the City's behalf.

The Mayor serves as presiding officer of the City Council and votes on all matters that come before the body. The Mayor also appoints standing and special committees of the Council, unless the Council votes to elect such committees. As official head of city government, the Mayor represents the City on ceremonial occasions. The City Manager is the administrative head of city government and is responsible for the efficient management of City operations. The Council appoints the Manager, who ensures that ordinances and policies set by Council are carried out. The Manager is also responsible for preparing the annual budget and for supervising city departments and personnel (except the City Attorney's and City Clerk's offices). As an employee of the City Council, the Manager normally attends all Council meetings.

City government services are headquartered at Durham's City Hall in downtown Durham. Service facilities including police and fire stations, recreational facilities, and public works operations, can be found throughout the community.

The City of Durham's annual budget process, the framework for communicating major financial operational objectives and for allocating resources to achieve them, is a complex undertaking involving the whole government. The process begins in October and runs until the end of June. By State law, the City must adopt an annual budget ordinance by June 30th of each year. As part of the budget process the City Council holds two public hearings on the budget, one in January at the beginning of the budget process and one in June prior to adoption as mandated by State law. In addition, City Council holds several "Coffees with Council" in various locations throughout the City to receive public input on budget issues and community priorities. City departments are required to submit budgets to the City Manager in March and those requests are used as a starting point for the development of a preliminary budget to be presented to City Council.

Once the budget is approved, the focus of the budget is upon control. Ongoing monitoring of revenues and expenditures throughout the year is a responsibility shared by department directors and the Budget Department. The Accounting Services Division of the Finance Department ensures that changes are correctly entered.

The Budget and Management Services Department reviews all transfer requests from departments to make sure that sufficient appropriations are available. All funds are reviewed on a regular basis, and a financial report that includes comparisons of budget to actual is submitted to the City Council on a quarterly basis.

The City Manager has the authority to transfer budgeted amounts between departments within any function. However, transfers between functions, increases, or decreases require a budget amendment. To amend the budget, a revised budget ordinance must be approved by the City Council.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted. For the General Fund, this comparison is presented on page 24 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 79.

FACTORS AFFECTING FINANCIAL CONDITION

Regional Picture: The Triangle (Raleigh-Durham-Chapel Hill) has one of the strongest, most stable economies in the nation. National magazines consistently give the region top rankings for quality of life, higher education, overall business climate, small business and entrepreneurial opportunities, business climate for women, and combining work and family life. In 2005 CNN Money ranked Durham as one of the nation's 100 Best Places to Live and Forbes rated the area as the #2 best place for business and careers.

Location and Accessibility: The City borders the Research Triangle Park (RTP) on three sides. RTP, recognized internationally as a center for cutting-edge research and development, is the largest research park in the United States. RTP covers over 6,900 acres and is home to more than 131 organizations, including 100 research and development related organizations. RTP employs approximately 38,500 people and has a combined payroll of more than \$2.7 billion. Durham is centrally located among the major population centers of the East Coast, and is bisected by Interstates 85 and 40, which are connected by the Durham Freeway. Raleigh-Durham International Airport (RDU), located just east of the City limits, served nearly 11 million passengers and moved over 90,200 tons of cargo in 2004. RDU is served by 12 major airlines and 18 commuter, general aviation, corporate, military and cargo aircraft operations with 488 daily arrivals and departures, providing non-stop service to 38 cities.

Employment Base in Research and Manufacturing: The City's diverse and expanding economy is rooted in electronics, health care, medical research, education, and telecommunications. The "City of Medicine" is one of the nation's leading centers for biotechnology and medical research. Of the State's 137 biopharmaceutical companies, 62 are

located in Durham County. Duke University and Duke Medical Center employ 19,205 people, while spin-offs from research at Duke, the University of North Carolina at Chapel Hill, and North Carolina State University, have created dozens of start-up biotech firms. These companies are supported by the state-sponsored North Carolina Biotechnology Center, located in Research Triangle Park.

Ninety-five percent of the companies currently operating in Research Triangle Park are located in Durham County. RTP employs over 38,500 people in such leading firms as IBM, GSK, Cisco Systems, Nortel Networks, BASF, and Sumitomo. Another 50,000 people are employed at the numerous manufacturing facilities, office parks, and flex buildings located in the City just outside of RTP, complementing the research and development activities inside the Park.

Unemployment in Durham has averaged 4.3 % over the past five years, and has been consistently below the state and national averages. After reaching a five-year high of 6.2% in 2002, which was still significantly lower than the State level of 7.0%, unemployment has trended downward. For fiscal year 2005 Durham County unemployment has fluctuated between 3.2% and 4.7% as the area continues to see the impact of business investment and development.

Education and Job Training: The education and skill level of the labor force is a major factor in the desirability of the Durham area. Over 35% of Durham County adults possess at least a Bachelor's degree, compared with 20% nationally. The community college system - particularly the system's interaction and cooperation with businesses to establish training programs - is regarded as one of the best in the nation. In-migration continues to add to the work skills and brainpower needed by our growing companies.

Construction Trends: The City continues to witness strong and solid levels of private investment, with values of building permits totaling more than \$ 750 million in fiscal year 2005. This represents a 15% increase from 2004, with construction accounting for all of the increase as residential decreased slightly from 2004's record levels. Downtown Durham is targeted as an area of particular strategic and symbolic importance. The completion of the first phase of the American Tobacco Project, the largest historic preservation project in the history of North Carolina, marks an important milestone in the reemergence of downtown Durham. American Tobacco is the public/private partnership between Durham City and County and Capital Broadcasting for the historic redevelopment of the American Tobacco Complex. When completed this project will include more than 900,000 square feet of office and mixed use space and will bring 3,600 jobs to the downtown area.

The City is currently working on several public/private partnerships related to major development projects in the downtown area including the following:

- Developing the former Woolworth's site on historic Parrish Street
- Development of a downtown entertainment district adjacent to the American Tobacco Complex featuring a 2,800 seat theater
- Redeveloping the Liggett & Meyers tobacco manufacturing and warehouse facility into residential and mixed commercial use facility
- Constructing a second tower at the Renaissance complex for residential condominiums.

CITYWIDE MAJOR INITIATIVES

For the Year 2005-06

The FY 2005-06 Budget reflects the Council goals listed below, that will be accomplished through a variety of strategies. Performance measures that demonstrate the City's success in achieving the community goals will be tracked over time and are reported to Council on a quarterly basis.

Council Community Goals

- All Durham Citizens are safe.
- Every citizen in Durham has access to adequate, safe and affordable housing.
- Durham enjoys a prosperous economy.
- Durham citizens enjoy a healthy environment.
- Durham citizens enjoy sustainable, thriving neighborhoods with efficient & well-maintained infrastructure.
- Durham citizens enjoy a City rich in aesthetic beauty.
- Durham citizens enjoy a vibrant City that embraces and promotes its cultural diversity and heritage.
- Durham citizens enjoy an efficient and accountable City government

FINANCIAL INFORMATION

General Fund Balance

The City Council has adopted a policy of maintaining an undesignated fund balance of no less than 12% of budgeted appropriations, adjusted for debt service and transfers to other funds. The FY 2005 undesignated fund balance is 12% of FY 2006 budgeted appropriations adjusted for debt service and transfers to other funds. This represents a slight decrease from the previous fiscal year which ended with a fund balance of 12.27%.

Cash Management

Effective forecasting of cash requirements and progressive cash management has allowed the maximum use of all available cash resources. For the year ended June 30, 2005, the City's gross investment income, after GASB 31 market value increase of \$258,260, was \$4,997,292. The City's average weighted yield to maturity for the pooled cash at June 30, 2005, was 3.10%.

The City uses the pooled cash and investment concept in investing excess cash for all funds. The goal of the City's investment policy is to minimize credit and market risk while receiving high returns on investments. The investment policy of the City is guided by NCGS 159-30, which stipulates that the City can only invest in certificates of deposit, repurchase agreements, secured time deposits, banker's acceptances, commercial paper, and United States government and agency securities.

Risk Management

The City has established Risk Management programs to (1) identify potential exposure to loss, (2) evaluate the frequency and severity of losses, (3) determine the most efficient use of financial resources to pay for losses that are not preventable, (4) reduces or eliminates risks or losses through procedures and practices. Additional information relative to insurance coverage and risk retention is presented in the Notes to the financial statements.

OTHER INFORMATION

Independent Audit

North Carolina General Statutes Chapter 15, the Local Government Budget and Fiscal Control Act, requires that units of local government have an annual audit by independent certified public accountants. The accounting firm of Dixon Hughes PLLC was selected by the City Council. In addition to meeting statutory requirements, the audit also complies with the Federal Single Audit Act, Office of Management and Budget Circular A-133, and NCGS 159-34 (Single Audit Implementation Act). The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in the Single Audit Section.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) once again recognized the City for the quality of its Comprehensive Annual Financial Report issued for the previous fiscal year. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and accepted legal requirements. This Certificate of Achievement for Excellence in Financial Reporting marks the 20th consecutive year and the 24th time in 26 years that the City has been so honored.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting the report to GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) has given the City its first Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Durham for its Citizen's Financial Report for the fiscal year ended June 30, 2004. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

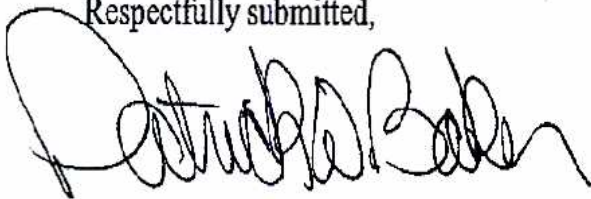
An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

In addition, the City of Durham also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the City of Durham's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of this report would have been impossible without the hard work and dedication of the Department of Finance Staff. In particular the efforts of the Accounting Staff and the Financial Reporting Team should be recognized. Other departments of the City have also contributed directly or indirectly in the preparation of this report and their cooperation and continued assistance is appreciated.

We also greatly appreciate the ongoing support and leadership we receive from the Mayor and the City Council.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Patrick W. Baker', written in a cursive style.

Patrick W. Baker
City Manager

A handwritten signature in black ink, appearing to read 'Kenneth C. Pennoyer', written in a cursive style.

Kenneth C. Pennoyer
Director of Finance

CITY OF DURHAM, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

MAYOR



William V. Bell

CITY COUNCIL



John P. Best, Jr



Eugene A. Brown



Diane Catotti



Howard Clement, III



Cora Cole- McFadden



Thomas A. Stith, III

CITY MANAGER

Patrick W. Baker



Prepared by the City of Durham Department of Finance

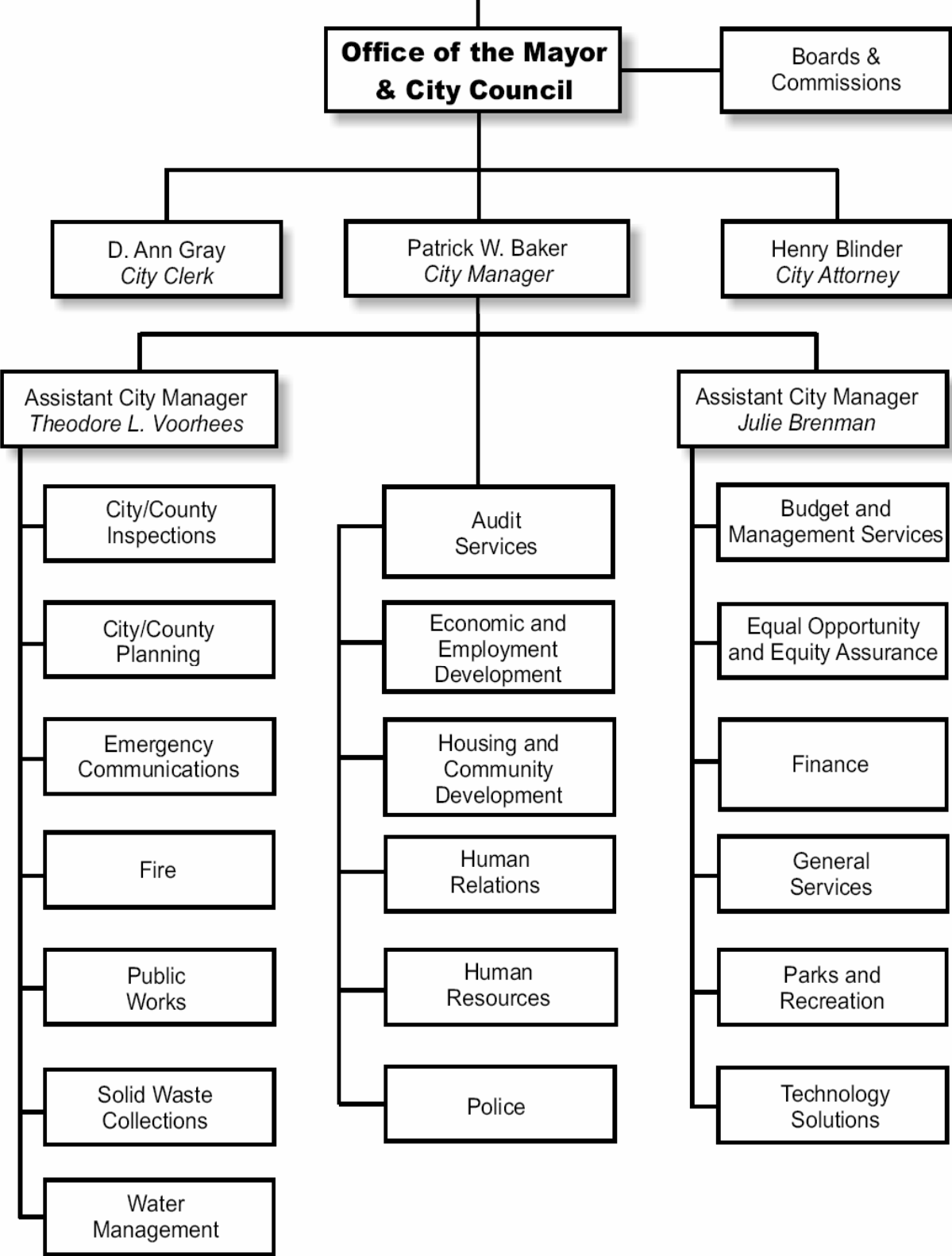
Kenneth C. Pennoyer, Director
Keith R. Herrmann, Assistant Director/Controller
Arche L. McAdoo, Assistant Director/Treasurer

Financial Reporting Team

David J. Hickman, IV, CPA Accounting Services Manager
Suzanne M. Miller, Financial System Coordinator
Youssef Hammad, Financial Reporting Supervisor

John J. Allore	Treasury Manager
Jo Ann Bass-Hedgspeth	Senior Accountant
Joannie W. Burtoft	Accountant I
Rachel B. Bobbitt	Senior Treasury Analyst
Brian Pieczynski	Accountant I
Dallas R. Sanders	Senior Accountant
June B. Stilley	Senior Accountant
Al W. Walker, Jr	Senior Accountant.

The Citizens of Durham





INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Durham
Durham, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information City of Durham, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Durham's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Durham, North Carolina, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2005 on our consideration of the City of Durham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Durham, North Carolina, taken as a whole. The introductory information, combining and individual fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Dixon Hughes Puc". The signature is written in a cursive, flowing style.

October 28, 2005
Sanford, North Carolina

CITY OF DURHAM, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Management's Discussion and Analysis

Our discussion and analysis of the City of Durham's financial performance provides an overview of the City's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City of Durham has maintained its AAA bond rating from all three bond rating agencies.
- The assets of the City of Durham exceeded its liabilities at the close of the most recent fiscal year by \$317,525,363. Of this amount, \$147,929,482 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$49,032,786, including amounts for restatements, during the most recent fiscal year resulting from governmental and business-type activities. In the business type activities this was primarily due to an increase in revenues from Water and Sewer Utility Fund. In the governmental activities increases in revenue were from property and sales taxes.
- As of the close of the fiscal year, the City of Durham's governmental funds reported combined ending fund balances of \$94,267,588, an increase of \$19,369,831, including amounts for restatements, in comparison with the prior year.
- The City of Durham's total debt increased by \$3,112,369 during the current fiscal year. Certificates of Participation were issued in the governmental activities in the amount of \$35,790,000. Of that amount \$10,931,110 went to refund two previous issues and the balance was for various projects. See the notes to the financial statements for additional details.

City Highlights

- The City of Durham's General Fund undesignated balance was maintained at 12% of adjusted General Fund appropriations, the minimum designated by City Council resolution.
- The American Institute of Certified Public Accounts (AICPA) announced that they will relocate their largest operation to Durham North Carolina and this move will bring 400 jobs. The AICPA serves over 340,000 CPA's nationally.
- The City's \$110 million dollar bond referendum was approved by the voters in November 2005. The funds will be used to build infrastructure, catch up on deferred maintenance, build new parks and recreation facilities, enhance economic activity, address public safety needs and expend \$20 million for water and sewer projects, which will be paid back by the water and sewer fund.
- Public safety departments increased their efficiency by opening two new fire stations, implementing upgrades to 9-1-1 that improved communication and dispatch efficiency, and bringing the police department to a full staff of nearly 500 sworn law enforcement personnel.

Overview of the Financial Statements

The City of Durham's discussion and analysis is intended to serve as an introduction to the City of Durham's basic financial statements. The City of Durham's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The discussion and analysis is also designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's

financial position (its ability to address the next and subsequent year's challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements.

Required Components of the Annual Financial Report

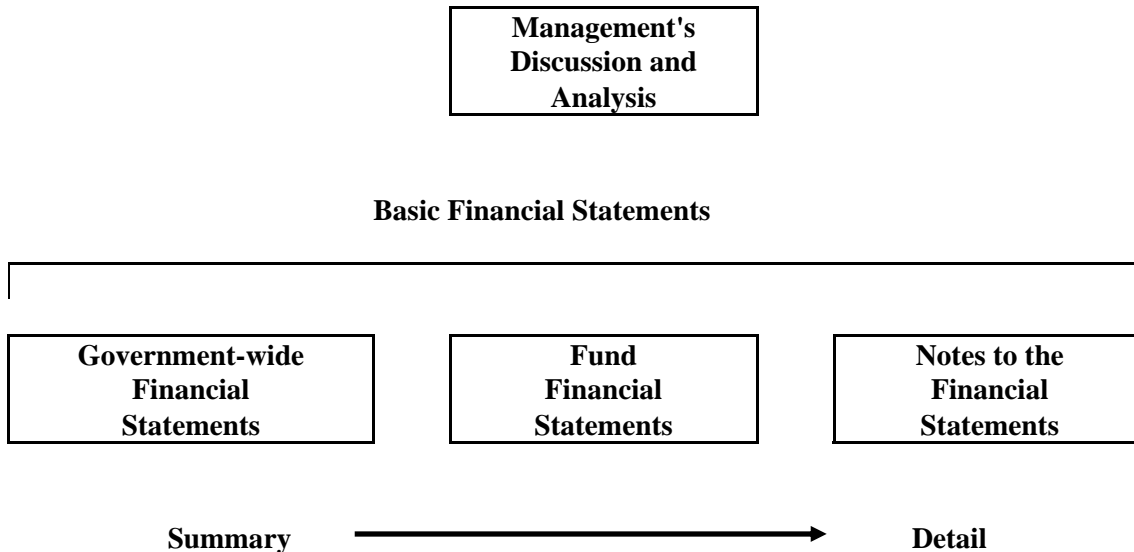


Figure 1

Basic Financial Statements

The first two statements (Pages 16 - 19) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (Pages 20 - 42) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Durham's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of the City of Durham's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Durham is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Durham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City of Durham include general government, public safety, streets, planning, inspections, recreation and parks. The business type activities of the City of Durham include water and sewer, parking facilities, transit, solid waste management, civic center, ballpark and storm water management.

The government-wide financial statements include not only the City of Durham itself, but also two legally separate non-profit corporations for which the City of Durham is financially accountable. The Durham Risk Management Corporation (DRM) is a nonprofit corporation duly incorporated in the State, and validly existing and in good standing under the North Carolina Nonprofit Corporation Act, Chapter 55A of the General Statutes of North Carolina. Although legally separate from the City, DRM is reported as if it were part of the government because its sole purpose is to assist the City in carrying out its municipal and governmental functions through the provision of risk management and the administration of claims and is not engaged in any other activity and has no taxing power. All DRM activities are included in the Risk Retention Fund, which is an Internal Service Fund.

The New Durham Corporation (NDC) is legally separate from the City, although the NDC is reported as if it were a part of the government because its purpose is to finance City revitalization projects and purchases of capital equipment. All NDC activities are included in the funds in which the activity takes place.

The government-wide financial statements can be found on pages 16 – 19 of this report.

Fund Financial Statements

The fund financial statements are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Durham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Durham can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Durham adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using

the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted; 2) the final budget as amended; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement. The basic governmental fund financial statements can be found on pages 20 - 25.

Proprietary Funds - The City of Durham has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. These services include water and sewer, parking facilities, transit, solid waste, civic center, ballpark and storm water management. They are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are used as an accounting device to accumulate and allocate costs internally among other funds. The City uses an internal service fund to account for risk management and claims settlement activities. The Risk Retention Fund, because its operation benefits predominantly governmental rather than business-type activities, has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds The City's only *Fiduciary Fund*, a pension trust, is used to account for resources held for the benefit of the City's employees. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 43-72.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Durham's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 73 & 74.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes [unless associated with a utility], etc.) have not been reported nor depreciated in governmental financial statements. GASB Statement #34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the alternative method), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established condition levels, the government may record all expenditures incurred (except for additions and improvements which extend the asset life) in lieu of depreciation. While the City has acquired an asset management system which (a) would allow the election to use the alternative method, and (b) will provide valuable management information, the City has elected to initially implement the depreciation method, and will monitor and consider, over time, a possible conversion to the alternative method.

Government Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2005 are the fourth year of a new era in financial reporting for the City of Durham and many other units of government across the United States. Three years ago, the City maintained their governmental and proprietary fund groups as two separate

and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model were mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Durham's comprehensive annual financial report as well as those of many other units of government.

**Statement of Net Assets
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 151,579	\$ 126,159	\$ 100,669	\$ 98,910	\$ 252,248	\$ 225,069
Capital assets	<u>211,164</u>	<u>183,857</u>	<u>287,185</u>	<u>280,764</u>	<u>498,349</u>	<u>464,621</u>
Total assets	<u>362,743</u>	<u>310,016</u>	<u>387,854</u>	<u>379,674</u>	<u>750,597</u>	<u>689,690</u>
Long-term liabilities outstanding	160,942	147,251	197,606	211,947	358,548	359,198
Other liabilities	<u>39,170</u>	<u>31,850</u>	<u>35,354</u>	<u>30,150</u>	<u>74,524</u>	<u>62,000</u>
Total liabilities	<u>200,112</u>	<u>179,101</u>	<u>232,960</u>	<u>242,097</u>	<u>433,072</u>	<u>421,198</u>
Net assets: Invested in capital assets, net of						
related debt	78,388	54,358	88,911	75,434	167,299	129,792
Restricted	2,296	43,979	-	1,094	2,296	45,073
Unrestricted	<u>81,947</u>	<u>32,579</u>	<u>65,983</u>	<u>61,048</u>	<u>147,930</u>	<u>93,627</u>
Total net assets	<u>\$ 162,631</u>	<u>\$ 130,916</u>	<u>\$ 154,894</u>	<u>\$ 137,577</u>	<u>\$ 317,525</u>	<u>\$ 268,493</u>

For more detailed information see the Statement of Net Assets on pages 16-17.

Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City exceeded liabilities by \$317,525,363 at June 30, 2005. For the period ending June 30, 2004 the amount was \$268,492,577. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$167,299,253 restricted net assets of \$2,296,628 and unrestricted net assets \$147,929,482. At June 30, 2004 these amounts were \$129,792,239, \$45,073,093 and \$93,492,577 respectively.

The invested in capital assets, net of related debt category is defined as the City's investment in City owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment, and sewer lines), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to

provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The following is a schedule of revenues and expenses for the current fiscal year.

Changes in Net Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 30,220	\$ 25,486	\$ 80,788	\$ 70,088	\$ 111,008	\$ 95,574
Operating grants and contributions	14,814	15,055	2,237	6,004	17,051	21,059
Capital grants and contributions	3,480	2,253	4,052	139	7,532	2,392
General revenues:					-	-
Property taxes	89,217	82,016	1,393	1,265	90,610	83,281
Other taxes	44,395	42,027	-	-	44,395	42,027
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	6,113	2,204	-	-	6,113	2,204
Total revenues	<u>188,239</u>	<u>169,041</u>	<u>88,470</u>	<u>77,496</u>	<u>276,709</u>	<u>246,537</u>
Expenses:						
General government	13,627	12,571	-	-	13,627	12,571
Public safety	66,897	61,589	-	-	66,897	61,589
Development	18,877	17,632	-	-	18,877	17,632
General services	26,363	25,251	-	-	26,363	25,251
Parks and recreation	9,344	8,447	-	-	9,344	8,447
Streets and highways	11,907	11,751	-	-	11,907	11,751
Interest on long-term debt	6,689	7,436	-	-	6,689	7,436
Nondepartmental	-	2,227	-	-	-	2,227
Water and sewer	-	-	45,293	47,014	45,293	47,014
Parking facilities	-	-	1,527	1,704	1,527	1,704
Transit	-	-	15,175	13,275	15,175	13,275
Solid waste disposal	-	-	8,643	8,644	8,643	8,644
Civic center	-	-	1,767	1,671	1,767	1,671
Ballpark	-	-	1,692	1,804	1,692	1,804
Storm water management	-	-	5,748	4,768	5,748	4,768
Total expenses	<u>153,704</u>	<u>146,904</u>	<u>79,845</u>	<u>78,880</u>	<u>233,549</u>	<u>225,784</u>
Increase in net assets before transfers	34,535	22,137	8,625	(1,384)	43,160	20,753
Transfers	(5,917)	(6,793)	5,917	6,793	-	-
Increase in net assets	<u>28,618</u>	<u>15,344</u>	<u>14,542</u>	<u>5,409</u>	<u>43,160</u>	<u>20,753</u>
Net assets, July 1 as reported	130,916	123,655	137,577	133,310	268,493	256,965
Restatement amounts	3,097	(8,083)	2,775	(1,142)	5,872	(9,225)
Net assets, July 1 - as restated	<u>134,013</u>	<u>115,572</u>	<u>140,352</u>	<u>132,168</u>	<u>274,365</u>	<u>247,740</u>
Net assets, June 30	<u>\$ 162,631</u>	<u>\$ 130,916</u>	<u>\$ 154,894</u>	<u>\$ 137,577</u>	<u>\$ 317,525</u>	<u>\$ 268,493</u>

Governmental Activities

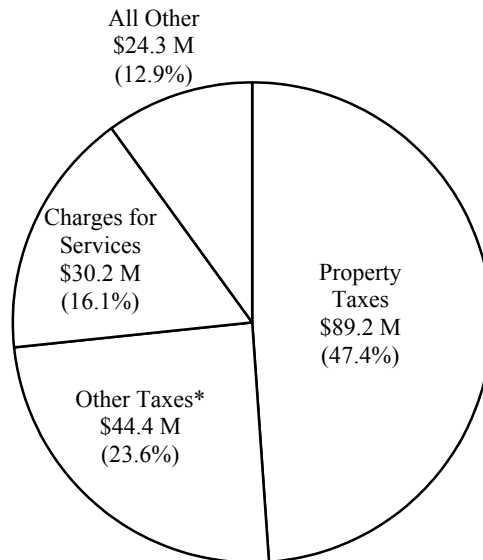
Governmental activities increased the city's net assets by \$28,619,003. This accounted for approximately 66% of the total growth of net assets.

Tax revenues (\$133,612,890) collected were approximately 7.7% more than taxes collected (\$124,041,388) in the prior fiscal year. Tax revenues covered approximately 87% of governmental activity expenses (\$153,704,202). Program revenues (\$48,514,597) were approximately 25.8% of all revenues collected. Public safety accounted for approximately 44% of all expenses in governmental activities.

The city restated its beginning net asset balances in the governmental activities by of \$3,096,567. Reasons for this restatement were; 1) revenue recognition in grant funds.2) debt amounts paid in prior fiscal years and 3) cash amounts held by third party administrators were incorrect in prior fiscal years . See the notes (note II. C.) to the financial statements for additional details.

The following graphs show the breakdown by percentage of governmental type revenues and expenses.

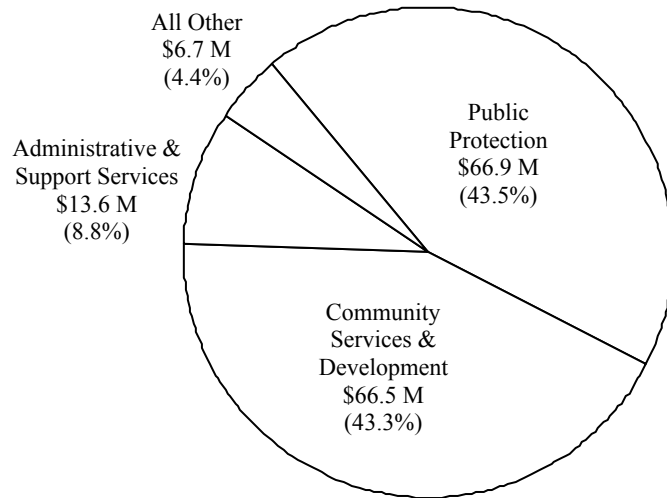
Governmental Revenues



Total Governmental Revenues = \$188.1 Million

Other taxes include local option sales tax, gross receipts and hotel/motel occupancy tax.

Governmental Expenses



Total Governmental Expenses = \$153.7 Million

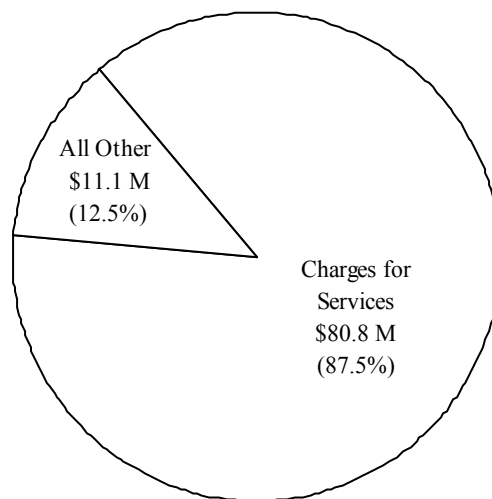
Business-type Activities

The water and sewer activity is the largest of the business type activities, it accounted for almost 57% of the expenses (\$45,292,921) and 65% (\$57,085,836) of the revenues. Total business type expenses were \$79,844,850 and total revenues were \$88,470,082.

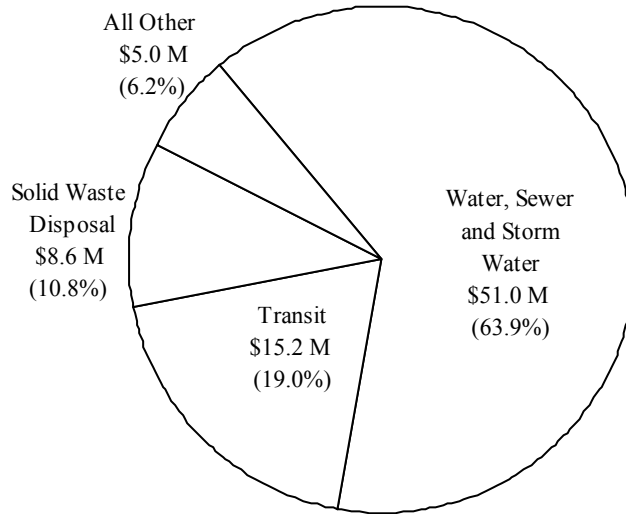
The city restated its beginning net asset balances in the business type activities by of \$2,775,145. 1) revenue recognition in grant funds 2) errors in the reporting of depreciation for prior for fiscal years. See the notes (Note II. C.) to the financial statements for additional details.

The following graphs show the breakdown by percentage of business type revenues and expenses.

Total Business Type Activities Revenues = \$88.5 Million



Total Business Type Activities Expenses = \$79.8 Million



Financial Analysis of the Government's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's general fund had a fund balance of \$39,609,354, of which \$17,221,723 was unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period \$6,220,514
- Restricted cash \$936,799
- Reserved by state statute \$14,407,091
- Designated for subsequent years expenditures, \$729,382
- Other restricted purposes \$93,845

The undesignated fund balance of the general fund increased by \$251,084 during the current fiscal year to \$17,221,723 and revenues increased by \$16,325,908 from \$146,603,864 to \$162,929,772. Taxes increased by \$12,095,200 to \$124,707,873 and licenses and permits increased by \$2,000,491 to \$9,082,272 from \$7,081,781. This was primarily due to new construction.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to:

- Water and Sewer Utility \$73,361,771
- Parking Facilities \$212,242
- Transit \$(854,370)
- Solid Waste Disposal \$(5,099,327)
- Civic Center \$(5,750,926)
- Ballpark \$(3,124,309)
- Storm Water Management \$5,591,903.

Unrestricted net assets in the Water and Sewer Utility Fund increased by \$4,761,426 an approximate 7% increase from the prior fiscal year. This was due primarily to rate increases. The Transit Fund unrestricted net assets decreased by \$2,024,229, primarily due to increased operating costs. The remaining funds did not have significant changes. The total growth in net assets for all proprietary funds was \$17,317,216. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The difference between the original budget and the final amended budget was a \$791,900 increase in appropriations and can be briefly summarized as follows:

- \$46,862 increase in governance
- \$114,434 increase in public protection
- \$1,939 increase in community service and development
- \$251,885 increase in administrative and support services
- \$376,7801 increase in non-assigned

The following functions in the General Fund had significant variances between final budget and actual expenditures. Community Services and Development had \$5,353,060 less in expenditures than was budgeted a 9.8 % variance. Administrative and Support Services had \$5,309,304 less in expenditures than was budgeted a 43.9 % variance.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, totals \$800,406,001, an increase of \$34,913,549 from June 30, 2004, when the amount was \$765,492,452. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water and sewer lines, and construction in progress.

Major capital asset transactions during the year include the following additions:

Governmental type activities:

- Construction in progress for capital assets \$6,654,896.
- Building infrastructure \$20,281,466
- Machinery and equipment \$9,811,699

Business type activities:

- Construction in progress for capital assets of \$6,403,839.
- Building infrastructure \$2,271,646
- Machinery and equipment \$1,936,107

**Capital Assets
Net of Depreciation**

In thousands	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 28,883	\$ 27,699	\$ 36,031	\$ 36,257	\$ 64,914	\$ 63,956
Buildings, equipment and depreciable assets	175,662	205,881	235,184	477,019	410,846	682,900
Construction in progress	6,023	15,843	9,022	2,793	15,045	18,636
Total	<u>\$ 210,568</u>	<u>\$ 249,423</u>	<u>\$ 280,237</u>	<u>\$ 516,069</u>	<u>\$ 490,805</u>	<u>\$ 765,492</u>

See Note III, D of this report for more information.

Debt Administration

As of year-end, the City had \$358,089,598 in debt (e.g., bonds, notes) outstanding compared to \$354,977,229 including restatements (see note II. C.) in the prior fiscal year, a .8.8% increase.

Outstanding Debt

In thousands	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 91,636	\$ 99,403	\$ 101,889	\$ 111,283	\$ 193,525	\$ 210,686
Revenue bonds	2,480	5,080	42,060	44,235	44,540	49,315
Certificates of Participation	67,950	43,443	11,445	12,408	79,395	55,851
State of North Carolina	-	59	9,045	10,605	9,045	10,664
Durham County	-	-	31,585	31,658	31,585	31,658
Total	<u>\$ 162,066</u>	<u>\$ 147,985</u>	<u>\$ 196,024</u>	<u>\$ 210,189</u>	<u>\$ 358,090</u>	<u>\$ 358,174</u>

See Note III, H. of this report for more information.

The City issued the following debt for the fiscal year end June 30, 2005:

Certificates of Participation Issuance

On May 1, 2005 the City of Durham issued Certificates of Participation, (COPS) Series 2005A and 2005B in the amount of \$905,000 and \$34,885,000 respectively, carrying average interest rates from 3.24% to 5.00%. The COPS were issued to the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The COPS were issued to provide funds that will be used by the City to pay the costs for renovation and construction of various City owned facilities, purchase various types of vehicles and

equipment, and acquisition of technology related hardware and software. See the notes to the financial statements for additional details.

As mentioned in the financial highlights section of this document, the City maintained for the fifth consecutive year its AAA bond rating from Moody's Investor Service and AAA rating from Standard and Poor's Corporation and Fitch Ratings. This bond rating is a clear indication of the sound financial condition of the City. The City of Durham maintains this highest financial rating from all three major rating agencies. This achievement is a primary factor in keeping interest costs low on the City's debt.

The City is subject to the Local Government Bond Act of North Carolina that limits the net bonded debt the City may have outstanding to eight percent of the appraised value of property subject to taxation. At June 30, 2005 such statutory limit for the City was \$1,226,003,949 providing a debt margin of approximately \$935,087,018. The City also has \$26,772,000 in general obligation bonds authorized but unissued at June 30, 2005. Additional information regarding the City's long-term debt can be found in Note 3, H.

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities

Public safety initiatives include funding for early hiring practice, grants to enhance domestic violence programs and working in partnership with the community to develop a comprehensive approach to reduce crime that includes role modeling, education and mentoring youth in the community. Employees of various city departments will participate in the "Eyes and Ears" program to help reduce the incidence of crime.

New technology initiatives include equipment; completing the final phase of public safety technology upgrades, 911 CAD/GIS system allowing more efficient dispatch of police and fire vehicles, continuing planned fire apparatus replacement schedule, continuing work on implementing the ERP system that will replace financial, human resources and billing systems and replacing network switches in city hall and outlying city facilities.

Parks and recreation initiatives include community partnerships to provide for the utilization of existing resources effectively and efficiently. A comprehensive approach to youth service programs by the Parks and Recreation Department will be refined to provide jobs for at risk youth.

Economic development initiatives include implementing major downtown projects, business and workforce development, university development, neighborhood redevelopment and sponsoring additional downtown special events and developing public and private partnerships to improve training.

Enhancements to the city's capital improvement plan will better address the capital improvements and maintenance needs of the city. Financing options include a general obligation bond referendum. There will be on line access to keep informed of present and planned capital projects.

Efforts to beautify the city and its neighborhoods will continue with programs like neighborhood clean-ups, spring clean and Impact Teams. Other changes to Solid Waste Management will be implemented to enhance the ability to remove waste in a more efficient means; this include better scheduling of collection service and increased street sweeping.

Business-type Activities

The Water and Sewer Fund expects to increase rates by 2.46% to cover increase operating costs and to fund the reserve for debt coverage that is to ensure that the city meets or exceeds the revenue bond covenants contained in the water and sewer revenue bonds. Overall revenues are expected to increase 7.3%. General

operating expenses will increase by 3.5% to cover increased costs of material, supplies, and other operating expenses. Personnel costs will increase at an expected rate of 6.5%.

The Solid Waste Disposal Fund revenues are expected to increase by 1.3%. General operating expenses are expected to decrease 1.9%. Personnel costs are expected to grow 34.8% and debt service is expected to decrease by 2.1%.

The Storm Water Management Fund will not have any increase in fees charged. Revenues are expected to increase 1.2%. General operating expenses will decrease by 49.3%, while personnel costs will increase by 9.5%.

The Transit Fund will see an increase in revenues and appropriations of 12.6% over fiscal year 2004-05. Licenses and permits will increase 100% as motor vehicle license fees increase from \$5 to \$10 per vehicle registration.

The Parking Facilities Fund will expect a 0.7% decrease in revenues and appropriations with personnel services having a 29.9% decrease and charges for services leading the decrease in revenue with 3.8%.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Director of Finance on the 4th floor of City Hall, 101 City Hall Plaza, Durham, North Carolina 27701-3329.

CITY OF DURHAM, NORTH CAROLINA

Statement of Net Assets

June 30, 2005

Exhibit A-1

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Current assets			
Cash and cash equivalents/investments	\$ 67,087,694	\$ 81,860,051	\$ 148,947,745
Taxes receivable, net	3,229,444	47,442	3,276,886
Accounts receivable	2,875,024	11,641,131	14,516,155
Assessments receivable, net	309,653	1,366,046	1,675,699
Accrued investment income	462,570	466,935	929,505
Notes receivable	30,798,857	607,943	31,406,800
Due from governmental agencies	14,972,570	3,601,463	18,574,033
Inventories	456,777	667,916	1,124,693
Restricted cash and cash equivalents/ investments	30,026,762	410,263	30,437,025
Total current assets	<u>150,219,351</u>	<u>100,669,190</u>	<u>250,888,541</u>
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	34,906,953	45,052,919	79,959,872
Buildings, equipment and depreciable assets net of accumulated depreciation	175,660,891	235,184,091	410,844,982
Restricted cash and cash equivalents/ investments	1,652,542	5,891,192	7,543,734
Prepays	1,359,829		1,359,829
Internal balances	(1,056,952)	1,056,952	-
Total noncurrent assets	<u>212,523,263</u>	<u>287,185,154</u>	<u>499,708,417</u>
Total assets	<u>362,742,614</u>	<u>387,854,344</u>	<u>750,596,958</u>

The notes to the financial statements are an integral part of this statement.

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Statement of Net Assets

June 30, 2005

Exhibit A-1

	Governmental Activities	Business-type Activities	Total Primary Government
LIABILITIES			
Current liabilities			
Accounts payable	\$ 12,469,233	\$ 5,142,964	\$ 17,612,197
Accrued payroll	1,312,277	205,623	1,517,900
Employee taxes and related withholdings	1,435,948	-	1,435,948
Accrued interest	1,784,156	14,950,001	16,734,157
Deposits and payments held in escrow	1,404,471	863,751	2,268,222
Unearned income	3,926,880	124,372	4,051,252
Current portion of due to Durham County	-	830,000	830,000
Current portion of bonds payable	7,406,724	10,912,674	18,319,398
Current portion of due to the State of North Carolina	-	885,000	885,000
Current portion of accrued compensated absences	3,250,000	650,000	3,900,000
Current portion of certificates of participation	6,515,275	1,440,000	7,955,275
Current portion of pending claims	3,276,177	-	3,276,177
Total current liabilities	<u>42,781,141</u>	<u>36,004,385</u>	<u>78,785,526</u>
Noncurrent liabilities			
Minority interest in Civic Center	-	7,251,120	7,251,120
Due to Durham County	-	30,754,598	30,754,598
Bonds	87,040,050	133,539,976	220,580,026
Due to State of North Carolina	-	8,160,000	8,160,000
Certificates of participation	62,306,947	9,663,353	71,970,300
Accrued compensated absences	5,308,379	354,044	5,662,423
Post closing costs	-	7,232,602	7,232,602
Pending claims	2,675,000	-	2,675,000
Total noncurrent liabilities	<u>157,330,376</u>	<u>196,955,693</u>	<u>354,286,069</u>
Total liabilities	<u>200,111,517</u>	<u>232,960,078</u>	<u>433,071,595</u>
NET ASSETS			
Invested in capital assets	78,387,939	88,911,314	167,299,253
Restricted expendable for:			
Durham Hosiery Mill	936,799	-	936,799
Restricted nonexpendable for:			
Cemetery perpetual care	1,359,829	-	1,359,829
Unrestricted	81,946,530	65,982,952	147,929,482
Total net assets	<u>\$ 162,631,097</u>	<u>\$ 154,894,266</u>	<u>\$ 317,525,363</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DURHAM, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 15,210,079	\$ 459,607	\$ 309,368	\$ -
Public safety	66,896,888	3,648,282	1,020,817	-
Development	18,876,960	6,073,710	10,800,876	-
General services	26,362,967	3,100,419	-	-
Parks and recreation	9,343,854	2,550,257	251,537	-
Streets and highways	11,907,139	14,387,838	2,431,529	3,480,357
Interest on long-term debt	6,689,582	-	-	-
Total governmental activities	<u>155,287,469</u>	<u>30,220,113</u>	<u>14,814,127</u>	<u>3,480,357</u>
Business-type activities:				
Water and sewer	45,292,921	57,085,836	-	-
Parking facilities	1,526,711	1,317,776	-	-
Transit	15,174,683	3,329,020	5,163,783	3,911,694
Solid waste disposal	8,643,033	7,460,404	-	-
Civic Center	1,767,318	408,298	480,785	139,934
Ballpark	1,691,888	635,815	-	-
Storm water management	5,748,296	7,143,660	-	-
Total business-type activities	<u>79,844,850</u>	<u>77,380,809</u>	<u>5,644,568</u>	<u>4,051,628</u>
Total primary government	\$ <u>235,132,319</u>	\$ <u>107,600,922</u>	\$ <u>20,458,695</u>	\$ <u>7,531,985</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for civic center				
Sales taxes				
Taxes passed through from the State				
Hotel/motel and rental vehicle tax				
Cable television franchise fee				
Business licenses				
Unrestricted investment and rental earnings				
Miscellaneous				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning as originally reported				
Restatement				
Net assets - beginning as restated				
Net assets - ending				

The notes to the financial statements are an integral part of this statement.

Exhibit A-2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (14,441,104)	\$ -	\$ (14,441,104)
(62,227,789)	-	(62,227,789)
(2,002,374)	-	(2,002,374)
(23,262,548)	-	(23,262,548)
(6,542,060)	-	(6,542,060)
8,392,585	-	8,392,585
(6,689,582)	-	(6,689,582)
<u>(106,772,872)</u>	<u>-</u>	<u>(106,772,872)</u>
-	11,792,915	11,792,915
-	(208,935)	(208,935)
-	(2,770,186)	(2,770,186)
-	(1,182,629)	(1,182,629)
-	(738,301)	(738,301)
-	(1,056,073)	(1,056,073)
-	1,395,364	1,395,364
<u>-</u>	<u>7,232,155</u>	<u>7,232,155</u>
<u>(106,772,872)</u>	<u>7,232,155</u>	<u>(99,540,717)</u>
89,217,673	-	89,217,673
-	1,393,137	1,393,137
33,683,383	-	33,683,383
9,100,312	-	9,100,312
1,611,522	-	1,611,522
1,852,094	-	1,852,094
2,944,189	-	2,944,189
2,030,634	-	2,030,634
868,847	-	868,847
(5,916,779)	5,916,779	-
135,391,875	7,309,916	142,701,791
28,619,003	14,542,071	43,161,074
130,915,527	137,577,050	268,492,577
3,096,567	2,775,145	5,871,712
134,012,094	140,352,195	274,364,289
<u>\$ 162,631,097</u>	<u>\$ 154,894,266</u>	<u>\$ 317,525,363</u>

CITY OF DURHAM, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2005

	General	Housing Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents/investments	\$ 35,314,247	\$ 19,661	\$ 29,045,576	\$ 64,379,484
Receivables, net				
Taxes receivable	3,229,444	-	-	3,229,444
Accounts receivable	1,023,451	76,792	1,774,781	2,875,024
Assessments receivable	334,173	-	-	334,173
Accrued investment income	225,257	12,880	166,138	404,275
Notes receivable	-	20,535,426	10,263,431	30,798,857
Total receivables	<u>4,812,325</u>	<u>20,625,098</u>	<u>12,204,350</u>	<u>37,641,773</u>
Due from government agencies	12,101,100	596	2,870,874	14,972,570
Advance to other funds	-	-	458,032	458,032
Due from other funds	-	-	4,230,082	4,230,082
Inventories	432,777	24,000	-	456,777
Restricted cash and cash equivalents/investments	<u>936,799</u>	<u>20,987</u>	<u>28,070,789</u>	<u>29,028,575</u>
Total assets	<u>\$ 53,597,248</u>	<u>\$ 20,690,342</u>	<u>\$ 76,879,703</u>	<u>\$ 151,167,293</u>

The notes to the financial statements are an integral part of this statement.

	General	Housing Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,831,976	\$ 63,212	\$ 7,550,009	\$ 12,445,197
Accrued payroll	1,239,871	-	72,406	1,312,277
Employee taxes and related withholdings	1,435,948	-	-	1,435,948
Deposits and payments held in escrow	1,378,821	2,182	23,468	1,404,471
Deferred income	4,628,085	20,535,426	10,435,026	35,598,537
Pending claims	244,177	-	-	244,177
Advance from other funds	229,016	-	-	229,016
Due to other funds	-	1,300,000	2,930,082	4,230,082
Total liabilities	<u>13,987,894</u>	<u>21,900,820</u>	<u>21,010,991</u>	<u>56,899,705</u>
Fund balances:				
Reserved for:				
Encumbrances	6,220,514	5,188,072	29,592,008	41,000,594
Durham Hosiery Mill	936,799	-	-	936,799
Other purposes	93,845	-	1,670,123	1,763,968
State Statutes	14,407,091	114,268	9,499,907	24,021,266
Unreserved				
Designated for subsequent year's expenditures	729,382	-	-	729,382
Undesignated	17,221,723	-	-	17,221,723
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	(684,514)	(684,514)
Capital projects funds	-	(6,512,818)	15,791,188	9,278,370
Total fund balances	<u>39,609,354</u>	<u>(1,210,478)</u>	<u>55,868,712</u>	<u>94,267,588</u>
Total liabilities and fund balances	<u>\$ 53,597,248</u>	<u>\$ 20,690,342</u>	<u>\$ 76,879,703</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.				210,567,844
Other net assets that are not available to pay for current-period expenditures and therefore are deferred in the funds				30,361,169
Internal service funds are used by management to charge the costs of risk retention to individual funds. The assets and liabilities of the risk retention fund are included in governmental activities in the statement of net assets.				(3,386,517)
Accrued interest payable on long-term debt				(1,708,756)
LEO Special Separation Allowance overfunded net pension obligation				1,359,829
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note III - H).				<u>(168,830,060)</u>
Net assets of governmental activities				<u>\$ 162,631,097</u>

CITY OF DURHAM, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2005

Exhibit A-4

	General	Housing Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 124,707,873	\$ -	\$ 1,426,199	\$ 126,134,072
Licenses and permits	9,082,272	-	-	9,082,272
Intergovernmental revenues	15,944,703	-	11,530,434	27,475,137
Investment and rental income	2,036,320	121,884	1,395,046	3,553,250
Charges for services	8,087,801	-	3,971,703	12,059,504
Intragovernmental services	763,886	-	-	763,886
Assessments	374,984	-	-	374,984
Sale of property and miscellaneous	1,931,933	1,247,356	697,656	3,876,945
Total revenues	<u>162,929,772</u>	<u>1,369,240</u>	<u>19,021,038</u>	<u>183,320,050</u>
EXPENDITURES				
Current				
General government	13,086,183	-	85,157	13,171,340
Public safety	63,458,116	-	2,904,900	66,363,016
Development	9,667,893	2,815,248	8,162,243	20,645,384
General services	24,016,091	-	12,673,609	36,689,700
Recreation	7,714,175	-	5,250,190	12,964,365
Streets and highways	10,151,499	-	7,860,430	18,011,929
Non-departmental charges	1,476,712	-	-	1,476,712
Debt service				
Principal	9,638,746	-	465,871	10,104,617
Interest and other charges	4,793,085	-	-	4,793,085
Total expenditures	<u>144,002,500</u>	<u>2,815,248</u>	<u>37,402,400</u>	<u>184,220,148</u>
Excess (deficiency) of revenues over expenditures	<u>18,927,272</u>	<u>(1,446,008)</u>	<u>(18,381,362)</u>	<u>(900,098)</u>
OTHER FINANCING SOURCES (USES)				
Capital related debt issued	441,089	-	29,202,392	29,643,481
Transfers in	548,252	-	8,017,835	8,566,087
Transfers out	(11,277,730)	-	(3,145,272)	(14,423,002)
Premium for debt issuances	1,808,586	-	-	1,808,586
Cop's refunding proceeds	6,146,519	-	-	6,146,519
Payment to cop's escrow agent	(10,931,110)	-	-	(10,931,110)
Total other financing sources (uses)	<u>(13,264,394)</u>	<u>-</u>	<u>34,074,955</u>	<u>20,810,561</u>
Net change in fund balances	<u>5,662,878</u>	<u>(1,446,008)</u>	<u>15,693,593</u>	<u>19,910,463</u>
Fund balances - beginning as originally reported	33,946,476	235,530	40,715,751	74,897,757
Restatement	-	-	(540,632)	(540,632)
Fund balances - beginning - restated	<u>33,946,476</u>	<u>235,530</u>	<u>40,175,119</u>	<u>74,357,125</u>
Fund balances - ending	<u>\$ 39,609,354</u>	<u>\$ (1,210,478)</u>	<u>\$ 55,868,712</u>	<u>\$ 94,267,588</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-5

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	19,910,463
Governmental funds report capital outlays as expenditures and do not report donated capital items. However, in the statement of activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense.		
Capital outlay expended		28,611,164
Capital outlay donated		8,883,939
Depreciation		(8,773,990)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.		(2,010,739)
Adjustment to revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		(2,013,131)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Debt issued		(35,790,000)
Debt principal repaid		18,022,995
The effect of issuance costs, premiums, discounts, and similar items.		(1,103,934)
Adjustment to some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental		1,340,915
Change in net pension obligation LEO Special Separation Allowance		72,393
An internal service fund is used by management to charge the cost of risk retention to individual funds. The net revenue of certain activities of the risk retention fund is reported with governmental activities.		<u>1,468,928</u>
Change in net assets of governmental activities	\$	<u><u>28,619,003</u></u>

The notes to the financial statements are an integral part of this statement.

DURHAM



CITY OF MEDICINE

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CITY OF DURHAM, NORTH CAROLINA

Exhibit A-6

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budget		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Amended	Amounts	
Revenues				
Taxes	\$ 121,079,728	\$ 121,079,728	\$ 124,707,873	\$ 3,628,145
Licenses and permits	7,583,088	7,583,088	9,082,272	1,499,184
Intergovernmental revenues	15,895,311	15,895,311	15,944,703	49,392
Investment and rental income	1,448,440	1,718,927	2,036,320	317,393
Charges for services	9,446,571	10,222,071	8,087,801	(2,134,270)
Intragovernmental services	788,800	788,800	763,886	(24,914)
Assessments	90,000	196,293	374,984	178,691
Sale of property and miscellaneous	2,087,009	2,087,009	1,931,933	(155,076)
Total revenues	158,418,947	159,571,227	162,929,772	3,358,545
Expenditures				
Governance	6,403,067	6,781,858	4,929,131	1,852,727
Public protection	61,483,533	63,066,217	60,394,422	2,671,795
Community services and development	51,286,997	54,517,106	49,164,046	5,353,060
Administrative and support services	12,229,386	12,107,116	6,797,812	5,309,304
Non-departmental charges	7,712,695	7,599,755	8,285,258	(685,503)
Debt service				
Principal retirement	11,960,009	12,235,009	9,638,746	2,596,263
Interest and fiscal charges	7,324,438	7,447,182	4,793,085	2,654,097
Total expenditures	158,400,125	163,754,243	144,002,500	19,751,743
Excess (deficiency) of revenues over expenditures	18,822	(4,183,016)	18,927,272	23,110,288
Other financing sources (uses)				
Transfers in	7,438,307	7,438,307	548,252	(6,890,055)
Premium for debt issuances	-	-	1,808,586	1,808,586
COP's refunding proceeds	-	-	6,146,519	6,146,519
Payment to COP's escrow agent	-	-	(10,931,110)	(10,931,110)
Transfers out	(11,125,080)	(11,704,399)	(11,277,730)	426,669
Certificates of Participation	2,812,648	3,365,848	441,089	(2,924,759)
Transfer from reserves	-	3,812,837	-	(3,812,837)
Appropriated fund balance	855,303	1,270,423	-	(1,270,423)
Total other financing sources (uses)	(18,822)	4,183,016	(13,264,394)	(17,447,410)
Excess of expenditures and other financing uses over revenues and other financing sources	\$ -	\$ -	5,662,878	\$ 5,662,878
Fund balance - beginning of year			33,946,476	
Fund balance - ending			\$ 39,609,354	

The notes to the financial statements are an integral part of this statement.

CITY OF DURHAM, NORTH CAROLINA

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund
ASSETS			
Current assets			
Cash and cash equivalents/investments	\$ 70,158,414	\$ 184,948	\$ 19,886
Taxes receivable, net	-	-	-
Accounts receivable	9,398,871	88,619	8,033
Assessments receivable	1,363,446	-	-
Accrued investment income	403,875	1,600	13,624
Notes receivable	607,943	-	-
Due from governmental agencies	153,596	33	3,403,352
Inventories	667,916	-	-
Due from other funds	4,777,842	-	-
Restricted cash and cash equivalents/ investments	-	-	-
Total current assets	<u>87,531,903</u>	<u>275,200</u>	<u>3,444,895</u>
Noncurrent assets:			
Capital assets:			
Land	19,641,692	2,530,990	1,857,000
Construction in progress	1,711,612	-	7,310,329
Buildings, equipment and depreciable assets net of accumulated depreciation	197,406,850	4,940,533	10,127,964
Advance to other funds	2,811,314	-	-
Restricted cash and cash equivalents/ investments	5,891,192	-	-
Total noncurrent assets	<u>227,462,660</u>	<u>7,471,523</u>	<u>19,295,293</u>
Total assets	<u>314,994,563</u>	<u>7,746,723</u>	<u>22,740,188</u>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds					Internal Service Fund
Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Total	Risk Retention Fund
\$ 2,287,763	\$ 1,619,636	\$ 3,040,860	\$ 4,548,544	\$ 81,860,051	\$ 2,708,210
-	47,442	-	-	47,442	-
397,651	23,261	15,276	1,709,420	11,641,131	-
-	-	-	2,600	1,366,046	-
12,648	7,129	1,134	26,925	466,935	58,295
-	-	-	-	607,943	-
1,879	9,709	1,685	31,209	3,601,463	-
-	-	-	-	667,916	-
-	-	-	-	4,777,842	-
410,166	-	97	-	410,263	998,187
<u>3,110,107</u>	<u>1,707,177</u>	<u>3,059,052</u>	<u>6,318,698</u>	<u>105,447,032</u>	<u>3,764,692</u>
8,433,374	1,849,180	1,718,742	-	36,030,978	-
-	-	-	-	9,021,941	-
4,290,020	6,519,701	9,850,977	2,048,046	235,184,091	-
-	-	-	-	2,811,314	-
-	-	-	-	5,891,192	1,652,542
<u>12,723,394</u>	<u>8,368,881</u>	<u>11,569,719</u>	<u>2,048,046</u>	<u>288,939,516</u>	<u>1,652,542</u>
<u>15,833,501</u>	<u>10,076,058</u>	<u>14,628,771</u>	<u>8,366,744</u>	<u>394,386,548</u>	<u>5,417,234</u>

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Water and Sewer Utility Fund	Parking Facilities Fund	Transit Fund
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,210,579	\$ 538	\$ 2,157,550
Accrued payroll	158,049	633	4,089
Accrued interest	14,311,939	61,039	6,792
Deposits and payments held in escrow	558,501	-	250,745
Deferred income	-	-	72,474
Due to other funds	-	-	1,784,810
Current portion of due to Durham County	830,000	-	-
Current portion of bonds payable	8,695,383	-	53,176
Current portion of due to the State of North Carolina	885,000	-	-
Current portion of certificates of participation	-	755,000	-
Current portion of accrued compensated absences	500,853	484	14,764
Current portion of pending claims	-	-	-
Total current liabilities	<u>28,150,304</u>	<u>817,694</u>	<u>4,344,400</u>
Noncurrent liabilities			
Minority interest in Civic Center	-	-	-
Due to Durham County	30,754,598	-	-
Bonds	107,738,834	-	261,435
Due to State of North Carolina	8,160,000	-	-
Certificates of participation	-	4,276,784	-
Accrued compensated absences	272,812	264	8,041
Advance from other funds	-	-	-
Post closing costs	-	-	-
Pending claims	-	-	-
Total noncurrent liabilities	<u>146,926,244</u>	<u>4,277,048</u>	<u>269,476</u>
Total liabilities	<u>175,076,548</u>	<u>5,094,742</u>	<u>4,613,876</u>
NET ASSETS			
Invested in capital assets	66,556,244	2,439,739	18,980,682
Unrestricted (deficit)	73,361,771	212,242	(854,370)
Total net assets	<u>\$ 139,918,015</u>	<u>\$ 2,651,981</u>	<u>\$ 18,126,312</u>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds					Internal Service Fund
Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Total	Risk Retention Fund
\$ 527,397	\$ 131,493	\$ 9,658	\$ 105,749	\$ 5,142,964	\$ 24,036
6,054	-	1,599	35,199	205,623	-
422,985	23,592	123,654	-	14,950,001	75,400
-	-	-	54,505	863,751	-
-	51,898	-	-	124,372	-
-	-	2,993,032	-	4,777,842	-
-	-	-	-	830,000	-
1,603,029	561,086	-	-	10,912,674	-
-	-	-	-	885,000	-
-	-	685,000	-	1,440,000	998,187
13,204	-	9,768	110,927	650,000	-
-	-	-	-	-	3,032,000
<u>2,572,669</u>	<u>768,069</u>	<u>3,822,711</u>	<u>306,380</u>	<u>40,782,227</u>	<u>4,129,623</u>
-	7,251,120	-	-	7,251,120	-
-	-	-	-	30,754,598	-
24,948,496	591,211	-	-	133,539,976	-
-	-	-	-	8,160,000	-
-	-	5,386,569	-	9,663,353	1,999,128
7,192	-	5,320	60,415	354,044	-
-	-	3,040,330	-	3,040,330	-
7,232,602	-	-	-	7,232,602	-
-	-	-	-	-	2,675,000
<u>32,188,290</u>	<u>7,842,331</u>	<u>8,432,219</u>	<u>60,415</u>	<u>199,996,023</u>	<u>4,674,128</u>
<u>34,760,959</u>	<u>8,610,400</u>	<u>12,254,930</u>	<u>366,795</u>	<u>240,778,250</u>	<u>8,803,751</u>
(13,828,131)	7,216,584	5,498,150	2,048,046	88,911,314	-
(5,099,327)	(5,750,926)	(3,124,309)	5,951,903	64,696,984	(3,386,517)
<u>\$ (18,927,458)</u>	<u>\$ 1,465,658</u>	<u>\$ 2,373,841</u>	<u>\$ 7,999,949</u>	<u>153,608,298</u>	<u>\$ (3,386,517)</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:

Prior years since July 1, 2001

Current year

Net assets business-type activities

749,296
536,672
\$ 154,894,266

CITY OF DURHAM, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2005

	Water and Sewer Fund	Parking Facilities Fund	Transit Fund
Operating revenues			
Charges for services	\$ 46,715,653	\$ 1,303,155	\$ 2,182,497
Operating expenses			
Personal services	13,758,232	65,732	415,676
Materials, services and supplies	11,640,854	904,711	4,417,673
General and administrative	4,558,000	16,750	166,300
Claims, fees and other	-	-	-
Post closing costs	-	-	-
Transit services	-	-	8,973,507
Construction administration, engineering and repairs	37,901	-	-
Depreciation	7,527,789	260,452	1,184,955
Total operating expenses	37,522,776	1,247,645	15,158,111
Operating income (loss)	9,192,877	55,510	(12,975,614)
Nonoperating revenues (expenses)			
Minority interest in Civic Center	-	-	-
Taxes	-	-	-
Intergovernmental revenue	-	-	-
Grants revenue	-	-	9,075,477
Investment income	2,664,512	9,417	80,188
Interest on assessments	223,233	-	-
Licenses and permits	-	-	780,382
Rent - nonoperating property	193,840	-	-
Impact fees	5,601,963	-	-
Gain (loss) on disposals of property and equipment	(400,007)	(5,068)	(24,283)
Other revenue	2,086,642	10,272	310,236
Interest and fiscal charges	(7,990,654)	(279,066)	(16,572)
Total nonoperating revenues (expenses)	2,379,529	(264,445)	10,205,428
Income/(loss) before transfers	11,572,406	(208,935)	(2,770,186)

The notes to the financial statements are an integral part of this statement.

Enterprise Funds					Internal Service Fund
Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Totals	Risk Retention Fund
\$ 7,205,240	\$ 411,880	\$ 624,822	\$ 6,890,906	\$ 65,334,153	\$ 4,366,926
446,586	69	133,958	3,012,530	17,832,783	-
5,791,260	1,332,964	616,076	1,284,218	25,987,756	809,631
139,700	75,000	97,218	733,307	5,786,275	-
-	-	-	-	-	2,002,201
62,348	-	-	-	62,348	-
-	-	-	-	8,973,507	-
-	-	-	329,958	367,859	-
856,604	287,930	327,968	407,398	10,853,096	-
7,296,498	1,695,963	1,175,220	5,767,411	69,863,624	2,811,832
(91,258)	(1,284,083)	(550,398)	1,123,495	(4,529,471)	1,555,094
-	139,934	-	-	139,934	-
-	1,393,137	-	-	1,393,137	-
-	480,785	-	-	480,785	-
-	-	-	-	9,075,477	-
87,829	41,958	10,869	158,789	3,053,562	283,225
-	-	-	-	223,233	-
-	-	-	-	780,382	-
9,720	-	2,504	-	206,064	-
-	-	-	-	5,601,963	-
(5,544)	(45,540)	(2,380)	(48,680)	(531,502)	-
163,159	-	-	142,645	2,712,954	-
(1,405,783)	(71,355)	(516,668)	-	(10,280,098)	(70,519)
(1,150,619)	1,938,919	(505,675)	252,754	12,855,891	212,706
(1,241,877)	654,836	(1,056,073)	1,376,249	8,326,420	1,767,800

Continued on next page

CITY OF DURHAM, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2005

	<u>Water and Sewer Fund</u>	<u>Parking Facilities Fund</u>	<u>Transit Fund</u>
Transfers			
Transfers from other funds	\$ 605,324	\$ 664,691	\$ 3,790,629
Transfers to other funds	(456,598)	-	(1,523,573)
Total transfers	<u>148,726</u>	<u>664,691</u>	<u>2,267,056</u>
Change in net assets	11,721,132	455,756	(503,130)
Total net assets, beginning as originally reported	128,196,883	1,894,072	16,121,596
Restatement for prior year	-	302,153	2,507,846
Total net assets, beginning as restated	<u>128,196,883</u>	<u>2,196,225</u>	<u>18,629,442</u>
Total net assets, ending	<u>\$ 139,918,015</u>	<u>\$ 2,651,981</u>	<u>\$ 18,126,312</u>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds					Internal Service Fund
Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Totals	Risk Retention Fund
\$ 1,450,797	\$ -	\$ 1,800,723	\$ -	\$ 8,312,164	\$ 237,800
-	-	-	(653,014)	(2,633,185)	-
1,450,797	-	1,800,723	(653,014)	5,678,979	237,800
208,920	654,836	744,650	723,235	14,005,399	2,005,600
(18,909,343)	810,822	1,437,010	7,276,714	136,827,754	(5,219,380)
(227,035)	-	192,181	-	2,775,145	(172,737)
(19,136,378)	810,822	1,629,191	7,276,714	139,602,899	(5,392,117)
\$ (18,927,458)	\$ 1,465,658	\$ 2,373,841	\$ 7,999,949	153,608,298	\$ (3,386,517)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					
Prior years since July 1, 2001				749,296	
Current year				536,672	
Net assets business-type activities				\$ 154,894,266	

CITY OF DURHAM, NORTH CAROLINA

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2005

	Water and Sewer Fund	Parking Facilities Fund	Transit Fund
Cash flows from operating activities:			
Receipts from customers	\$ 46,290,875	\$ 1,279,610	\$ 2,196,018
Payments to employees	(13,746,189)	(66,165)	(416,556)
Payments to suppliers	(14,546,314)	(923,235)	(12,364,948)
Payments for claims and related professional fees	-	-	-
Reimbursements from other governments	10,075	99	-
Reimbursements to other governments	-	-	(542,793)
Motor vehicle license and permits	-	-	852,856
Customer deposits, net	5,511	(10,272)	-
Impact fees	5,601,963	-	-
Interest on assessments	223,233	-	-
Notes receivable	59,933	-	-
Other revenues	612,906	10,272	310,236
Net cash provided by (used for) operating activities	24,511,993	290,309	(9,965,187)
Cash flows from non-capital financing activities:			
Transfers to other funds	(456,598)	-	(1,523,573)
Transfers from other funds	605,324	664,691	3,790,629
Taxes received, net	-	-	-
Grant funds received	-	-	9,075,477
Contribution from Durham County	-	-	-
Advance from other funds	-	-	1,784,810
Repayment of advance from other funds	-	-	-
Advance to other funds	(4,777,842)	-	-
Repayment of advance to other funds	1,130,851	-	-
Net cash provided by (used for) noncapital financing activities	(3,498,265)	664,691	13,127,343

Enterprise Funds					Internal Service Fund
Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Totals	Risk Retention Fund
\$ 7,214,692	\$ 407,856	\$ 629,286	\$ 6,932,731	\$ 64,951,068	\$ 4,366,926
(443,515)	(69)	(131,471)	(2,968,003)	(17,771,968)	-
(6,163,792)	(1,318,231)	(744,502)	(2,263,625)	(38,324,647)	(807,716)
-	-	-	-	-	(3,230,245)
-	4,475	-	-	14,649	-
(490)	-	(482)	(10,779)	(554,544)	-
-	-	-	-	852,856	-
-	-	-	2,005	(2,756)	-
-	-	-	-	5,601,963	-
-	-	-	-	223,233	-
-	-	-	-	59,933	-
172,879	-	2,504	142,645	1,251,442	-
<u>779,774</u>	<u>(905,969)</u>	<u>(244,665)</u>	<u>1,834,974</u>	<u>16,301,229</u>	<u>328,965</u>
-	-	-	(653,014)	(2,633,185)	-
1,390,933	-	1,800,723	-	8,252,300	237,800
-	1,397,593	-	-	1,397,593	-
-	-	-	-	9,075,477	-
-	480,785	-	-	480,785	-
-	-	2,993,032	-	4,777,842	-
-	-	(159,473)	-	(159,473)	-
-	-	-	-	(4,777,842)	-
-	-	-	-	1,130,851	-
<u>1,390,933</u>	<u>1,878,378</u>	<u>4,634,282</u>	<u>(653,014)</u>	<u>17,544,348</u>	<u>237,800</u>

CITY OF DURHAM, NORTH CAROLINA

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2005

	Water and Sewer Fund	Parking Facilities Fund	Transit Fund
Cash flows from capital and related financing activities:			
Interest and agent's fees paid	\$ (6,578,721)	\$ (273,016)	\$ (18,756)
Payments of principal - bonds	(8,443,573)	-	(56,009)
Payments of principal - COP's	-	(725,000)	-
Payments of principal - interfund loans	-	-	-
Repayments to the State of North Carolina	(1,560,227)	-	-
Payments of principal - Durham County	(73,155)	-	-
Acquisition and construction of capital assets	(4,442,497)	-	(5,179,941)
Assessments and frontage	1,818,611	-	-
Minority interest	-	-	-
Disposal of property and equipment	49,208	-	-
Net cash (used for) capital and related financing activities:	(19,230,354)	(998,016)	(5,254,706)
Cash flows from investing activities:			
Interest on investments	2,485,022	8,764	78,272
Net cash provided by investing activities	2,485,022	8,764	78,272
Net increase (decrease) in cash and cash equivalents/investments	4,268,396	(34,252)	(2,014,278)
Cash and cash equivalents/investments, beginning of year	71,781,210	219,200	2,034,164
Restatement of prior year	-	-	-
Cash and cash equivalents/investments, beginning of year	71,781,210	219,200	2,034,164
Cash and cash equivalents/investments, end of year	76,049,606	184,948	19,886

Enterprise Funds					Internal Service Fund
Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Totals	Risk Retention Fund
\$ (1,433,463)	\$ (88,153)	\$ (456,553)	\$ -	\$ (8,848,662)	\$ (92,819)
(1,587,566)	(544,106)	-	-	(10,631,254)	-
-	-	(665,000)	-	(1,390,000)	(1,000,000)
-	-	(236,842)	-	(236,842)	-
-	-	-	-	(1,560,227)	-
-	-	-	-	(73,155)	-
(5,352)	(5,065)	-	(859,834)	(10,492,689)	-
-	-	-	1,142	1,819,753	-
-	383,380	-	-	383,380	-
-	-	-	-	49,208	-
<u>(3,026,381)</u>	<u>(253,944)</u>	<u>(1,358,395)</u>	<u>(858,692)</u>	<u>(30,980,488)</u>	<u>(1,092,819)</u>
82,553	37,518	9,735	145,544	2,847,408	270,238
<u>82,553</u>	<u>37,518</u>	<u>9,735</u>	<u>145,544</u>	<u>2,847,408</u>	<u>270,238</u>
(773,121)	755,983	3,040,957	468,812	5,712,497	(255,816)
3,471,050	863,653	-	4,079,732	82,449,009	5,787,492
-	-	-	-	-	(172,737)
<u>3,471,050</u>	<u>863,653</u>	<u>-</u>	<u>4,079,732</u>	<u>82,449,009</u>	<u>5,614,755</u>
<u><u>2,697,929</u></u>	<u><u>1,619,636</u></u>	<u><u>3,040,957</u></u>	<u><u>4,548,544</u></u>	<u><u>88,161,506</u></u>	<u><u>5,358,939</u></u>

CITY OF DURHAM, NORTH CAROLINA

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2005

	Water and Sewer Fund	Parking Facilities Fund	Transit Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 9,192,877	\$ 55,510	\$ (12,975,614)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	7,527,789	260,452	1,184,955
Motor vehicle license and permits	-	-	852,856
Other revenues	419,066	10,272	310,236
Rent - nonoperating property	193,840	-	-
Interest on assessments	223,233	-	-
Impact fees	5,601,963	-	-
Changes in assets and liabilities:			
Receivables	(424,778)	(23,545)	13,521
Notes receivable	59,933	-	-
Due from governmental agencies	10,075	99	(542,793)
Inventories	132,444	-	-
Accounts payable	1,557,997	(1,774)	941,787
Accrued payroll	38,434	159	630
Accrued compensated absences	(26,391)	(592)	(1,510)
Post closing costs	-	-	-
Customer deposits	5,511	(10,272)	250,745
Pending claims	-	-	-
Net cash provided by operating activities	\$ <u>24,511,993</u>	\$ <u>290,309</u>	\$ <u>(9,965,187)</u>
Noncash capital financing activities:			
Transfers of Capital Assets	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds					Internal Service Fund	
Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Totals	Risk Retention Fund	
\$ (91,258)	\$ (1,284,083)	\$ (550,398)	\$ 1,123,495	\$ (4,529,471)	\$ 1,555,094	
856,604	287,930	327,968	407,398	10,853,096	-	
-	-	-	-	852,856	-	
163,159	-	-	142,645	1,045,378	-	
9,720	-	2,504	-	206,064	-	
-	-	-	-	223,233	-	
-	-	-	-	5,601,963	-	
9,452	(4,024)	4,464	41,825	(383,085)		
-	-	-	-	59,933	-	
(490)	4,475	(482)	(10,779)	(539,895)	-	
-	-	-	-	132,444	-	
(24,085)	89,733	(31,208)	83,858	2,616,308	1,915	
1,664		487	8,878	50,252	-	
1,407		2,000	35,649	10,563	-	
(146,399)	-	-	-	(146,399)	-	
-	-	-	2,005	247,989	-	
-	-	-	-	-	(1,228,044)	
\$ <u>779,774</u>	\$ <u>(905,969)</u>	\$ <u>(244,665)</u>	\$ <u>1,834,974</u>	\$ <u>16,301,229</u>	\$ <u>328,965</u>	
\$ <u>59,438</u>	\$ <u>-</u>	\$ <u>1</u>	\$ <u>-</u>	\$ <u>59,439</u>	\$ <u>-</u>	

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-10

Statement of Fiduciary Net Assets

Pension Trust Fund - Law Enforcement Officers' Separation Allowance

June 30, 2005

ASSETS

Cash and cash equivalents/investments	\$ 2,573,807
Accrued investment income	<u>14,481</u>
Total assets	<u>2,588,288</u>

NET ASSETS

Held in trust for pension benefits	\$ <u>2,588,288</u>
------------------------------------	---------------------

The notes to the financial statements are an integral part of this statement.

CITY OF DURHAM, NORTH CAROLINA

Exhibit A-11

Statement of Changes in Fiduciary Net Assets

Pension Trust Fund - Law Enforcement Officers' Separation Allowance

June 30, 2005

ADDITIONS

Employer contributions	\$ 771,390
Investment earnings	<u>85,230</u>
Total additions	<u>856,620</u>

DEDUCTIONS

Benefits	885,641
Administrative expenses	<u>837</u>
Total deductions	<u>886,478</u>
Change in net assets	(29,858)

Net assets - beginning of year	<u>2,588,146</u>
Net assets - end of year	<u>\$ 2,558,288</u>

The notes to the financial statements are an integral part of this statement.

DURHAM



CITY OF MEDICINE

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CITY OF DURHAM, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2005

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CITY OF DURHAM, NORTH CAROLINA

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For the Year Ended June 30, 2005

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CITY OF DURHAM, NORTH CAROLINA

Notes to the Combined Financial Statements
Year Ended June 30, 2005

Note I - Summary of Significant Accounting Policies

The financial statements of the City of Durham have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with GASB Statement #20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the government's accounting policies are described below.

In June 1999, the GASB unanimously approved "Basic Financial Statement and Management Discussion and Analysis" for State and Local Governments (Statement #34). This statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on the size of government) starting with fiscal years ending 2002 (for larger governments). As part of this statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc...). This requirement permits an optional four-year further delay for implementation to the fiscal year ending in 2006. The City has elected to delay implementing the infrastructure-related portion until the end of fiscal year 2006.

A. Reporting Entity

The City of Durham is a municipal corporation established in 1869, the city operates under a council-manager form of government by an elected mayor and a six-member council. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial operations with the City.

1. Blended Component Units

The Durham Risk Management Corporation ("DRM"), PO Box 51579, Durham, North Carolina 27717-1579, is a nonprofit corporation duly incorporated in the State, and validly existing and in good standing under the North Carolina Nonprofit Corporation Act, Chapter 55A of the General Statutes of North Carolina. Although legally separate from the City, DRM is reported as if it were part of the primary government because its sole purpose is to assist the City in carrying out its municipal and governmental functions through the provision of risk management and the administration of claims and is not engaged in any other activity and has no taxing power. All DRM activities are included in the Risk Retention Fund, which is an Internal Service Fund.

The New Durham Corporation ("NDC"), 3100 Tower Boulevard, Suite 1200 University Tower, Durham, N.C. 27717, is governed by a five-member board of directors. Although legally separate from the City, the NDC is reported as if it were a part of the primary government because its purpose is to finance City revitalization projects and purchases of capital equipment. All NDC activities are included in the funds in which the activity takes place.

B. Government-wide and Fund Financial Statements Basis of Presentation

Government-wide Statements

The government-wide financial statements, the statement of net assets and the statement of activities, report information on all the non-fiduciary activities of the primary government and its blended component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds to address General Fund services provided (e.g., finance, human resources, purchasing, legal, technology management, etc.). At the fund-level statements, the administrative service fee is included in the Non-Departmental line item as administrative fees. The administrative service fee is eliminated at year-end in the entity wide statements like a reimbursement (reducing the revenue and expense in the General Fund).

Fund Financial Statements

The fund financial statements provide information about the City's funds. There are separate statements for each fund category; governmental, proprietary and fiduciary are presented, even though the fiduciary is excluded from the government wide financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item.. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Although only the Water and Sewer, Solid Waste and Transit Funds meet the criteria for major funds, the City has elected to report all enterprise funds as major funds.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

The government-wide financial statements, proprietary funds and pension trust fund are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The accrual basis of accounting is followed, revenues are recognized in these funds when earned, and expenses are recognized when they are incurred. As permitted by accounting principles generally accepted in the United States of America, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, in its accounting and reporting practices for the government wide financial statements, the enterprise fund financial statements and the pension trust fund.

The City follows the modified accrual basis of accounting for all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable in the fund statements are accrued as revenue 60 days after year-end.

The City recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when the eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33 (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary

revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Housing Projects Fund - This fund is established to track the City of Durham's affordable housing program. The projects included in this program are designed to assist and finance the rehabilitation of buildings, to assist in acquiring land for redevelopment, principally for the housing of persons of low and moderate income and to assist moderate income first time homeowners with low cost second mortgages.

The City reports the following major enterprise funds:

Ballpark Fund - This fund is established to account for revenues and expenses related to the operation of the Durham Bulls Athletic Park in downtown Durham.

Civic Center Fund - This fund is established to account for revenues and expenses related to the operation of the Civic Center in downtown Durham.

Parking Facilities Fund - This fund is established to account for revenues and expenses related to the operations of the City's parking lots and garages.

Storm Water Management Fund - This fund is established to account for revenues and expenses related to storm water management including developing, monitoring, and inspection protocols and prioritization of drainage and flooding problems to initiate repair.

Solid Waste Disposal Fund - This fund is established to account for revenues and expenses related to the operation of the transfer station by the City for the use of residents of the City and Durham County.

Transit Fund - This fund is established to account for revenues and expenses related to the operation of the bus system, which serves the City of Durham.

Water and Sewer Fund - This fund is established to account for revenues and expenses related to the provision of water and sewer services to the residents of the City and adjacent areas.

The City reports the following non-major governmental funds:

Community Development Fund - The Community Development Fund is established to account for projects that are financed primarily with Community Development Block Grant funds and HOME funds that are used for revitalization of low and moderate income areas.

HOME Program Grants Fund - The HOME Programs Grants Fund is established to account for projects financed with HOME Program Grants funds that are to be used for revitalization of low and moderate income areas.

Employment and Training Grants Fund - The Employment and Training Grants Fund is established to account for various agreements, related to improving employment opportunities for underemployed and unemployed individuals. The Fund has been used to account for agreements under the Work Force Investment Act and the Job Training Partnership Act between the N. C. Department of Economic and Community Development, the Division of Employment and Training, and the City.

FEMA Grants Fund - The FEMA Grants Fund is established to account for activities related to natural disasters to which federal, state and other aid is contributed.

Public Safety Grants Fund - The Public Safety Grants Fund is established to account for various agreements to be used exclusively for law enforcement purposes to which federal, state and other aid is contributed.

Downtown Revitalization Fund - This fund is established to account for all activities related to specific downtown revitalization projects.

Other Special Revenue Grants Fund - The Other Grants Fund is established to account for miscellaneous activities for which federal, state and other aid is received.

Recreation and General Capital Projects Fund - This Recreation and General Capital Projects Fund is established to track the capital improvements associated with the cultural and recreational endeavors of the City of Durham. The general capital projects component represents projects not otherwise classified below and acts as the fund balance account for past projects that have closed and had funds remaining.

Street Projects Fund - The Street Projects Fund is established to track street, thoroughfare and mass transit improvements. Street projects are intended to construct new infrastructure or make significant improvements to the City's roadways and mass transit system.

Sidewalk Projects Fund - The Sidewalks Projects Fund is established to track new infrastructure and improvements to the City's sidewalk network.

General Projects Fund - The General Capital Projects Fund is established to track the construction, maintenance or expansion of miscellaneous small City facilities and grounds, operating systems and community buildings.

Municipal Buildings Projects Fund - The Municipal Projects Fund is established to track the construction, maintenance or expansion of City municipal buildings and facilities including the 911 Center, Fire and Police facilities.

Eno Greenway Project Fund - The Eno Greenway Fund is established to track the construction of a 3.8 mile natural-surface trail which will allow urban residents easy off-road access to the natural lands along the Eno River. The Eno Greenway will be part of the Mountains-to-Sea Trail and the Circle the Triangle Trail.

Impact Fee Fund - The Impact Fee Fund is established to account for impact fees until they are transferred to other capital projects funds and expended for specific projects.

Transit Investment Fund - The Transit Investment Fund is established to account for the moneys held to provide investment earnings to the Transit Fund.

The city reports the following Internal Service Fund:

Risk Retention Fund - This fund is established to provide a source of funds for payment of the City's uninsured legal liabilities, including risks such as workers' compensation, automobiles, general operations and professional activities. Claim settlements, actuarial expenses, legal fees, administrative expenses and other professional services required for claim disposition are paid from this fund.

The city reports the following Fiduciary Fund:

Law Enforcement Officers' Separation Allowance Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified law enforcement employees.

D. Budgetary Data

The General Statutes of North Carolina require that the City adopt an annual balanced budget. The General Statutes also provide for balanced project ordinances for the life of projects, including both capital and grant activities, which are expected to extend beyond the end of the fiscal year. The City Manager has the authority to transfer budgeted amounts between departments within any category; however, any revisions that alter the total appropriations of any function or fund must be approved by the City Council. Budgetary control on expenditures and encumbrances is limited to departmental totals and project totals as specified in the budget ordinances.

The City Council officially adopts the annual budget ordinance prior to July 1 of each year and adopts project ordinances as necessary. The Council has the authority to amend such ordinances. The annual budget ordinance is prepared using the modified accrual basis of accounting. The General Fund, Water and Sewer Fund, Parking Facilities Fund, Transit Fund, Solid Waste Disposal Fund, Civic Center Fund, Ballpark Fund, and the Storm Water Fund officially have legally adopted balanced annual budgets.

During the fiscal year, there were 5 amendments for budgeted operating funds totaling \$4,797,017 approved by the City Council as follows:

General Fund	\$ 2,120,600
Water and Sewer Fund	715,381
Storm Water Fund	557,000
Transit Fund	878,803
9-1-1 Surcharge Fund	525,233
	<u>\$ 4,797,017</u>

Appropriations, unencumbered and unauthorized for carry forward, lapse at each fiscal year-end. Budgeted amounts in the accompanying statements are as originally adopted, as amended by the City Council, or as changed by approved transfer.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance. Funds to cover outstanding encumbrances are re-appropriated through the budgetary process for the subsequent year. Encumbrances at year end do not represent GAAP and do not constitute expenditures or liabilities, but represent budgetary accounting controls.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments

All deposits of the City are made in designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and money market accounts, and certificates of deposit. The Local Government Budget and Fiscal Control Act of North Carolina governs all investments permitted to local governments. General Statutes authorize the City to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC registered mutual fund. Pooled cash and investments are maintained and used by all funds. Investments

are reported at fair value as determined by quoted market prices. Interest earned is distributed to the various funds based on each fund's proportionate equity in pooled cash and investments.

2. Cash and Cash Equivalents

Pooled cash and investments are maintained and used by all funds. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The city considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Certain investments are classified as restricted assets on the balance sheet and they are maintained in separate bank accounts. The unexpended proceeds from revenue bonds in the Water and Sewer Utility Fund, the unexpended proceeds from certificates of participation agreements and revenue bonds in the General Fund, and the unexpended proceeds from certificates of participation agreements in the Risk Retention Fund are classified as restricted assets because their use is restricted for the purposes for which the revenue bonds and certificates of participation agreements were originally issued.

4. Inventories and Prepaid Items

Inventories held in the various Funds consist primarily of expendable materials and supplies held for consumption. Inventories are stated using the weighted-average method (which approximates FIFO). Inventory items are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements and expensed as the items are used.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major expenditures for capital assets and those repairs, which increase useful lives, are capitalized. Capital outlay for the construction of streets, parks, water and sewer lines and other types of infrastructure expenditures are capitalized as land improvements. Maintenance, repairs and minor renewals are expensed as incurred. There was no interest capitalized during the FY 2005. New public domain and general infrastructure are being capitalized and depreciated. Old infrastructure assets are being reviewed and will be depreciated by the year 2006 in accordance with the implementation schedule in GASB 34.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Public Domain infrastructure and systems	10-80 years
Enterprise infrastructure and systems	50-80 years
Buildings	25-40 years
Furniture, machinery and equipment	5-12 years
Computer equipment	3-5 years

6. Deferred/Unearned Income

In the fund financial statements, ad valorem taxes are not recognized as revenue when they are not considered to be both "measurable and available." Property taxes that are measurable, but not available are initially recorded as deferred income. In addition, property taxes collected in advance of the fiscal year to which they apply are recorded as unearned income. The non-current portion of assessments in the General Fund is recorded as unearned income because the amount is not considered to be available at the end of the fiscal year. Deferred income in the Special Revenue and Capital Projects Funds consist of notes repayments, it is recorded as deferred income because the amount is not considered to be available at the end of the fiscal year. The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Governmental Funds Deferred Income	Government Wide Unearned Income
Taxes, assessments, Business licenses and other collected in advance (Governmental Activities)	\$ 1,064,468	\$ 3,926,880
Taxes (General Fund)	3,229,444	-
Assessments and other (General Fund)	334,173	-
Grants (Special Revenue Fund)	171,595	-
Notes receivable (Special Revenue Fund)	10,263,431	-
Notes (Capital Projects Fund)	20,535,426	-
Taxes collected in advance (Civic Center)	-	124,372
	<u>\$ 35,598,537</u>	<u>\$ 4,051,252</u>

7. Long Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

Fund balances are segregated into the following classifications:

Reserved for Encumbrances - represents commitments for the expenditure of funds under purchase orders and contracts.

Reserved for certain restricted cash - represents amounts used for financing arrangements related to debt.

Reserved for other purposes – Represents various amounts for such purposes as; 1.) Water into trees, that are a voluntary donation, it is accumulated when water utility bills are rounded up to the next dollar when paid. These funds must be used for the purchase of trees. 2.) Powell Bill portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. 3) Geographic Information System, charges for maps and other printed items are used to help pay for upgrades to the system.

Reserved by State Statute - in certain governmental funds, a portion of fund balance is designated "Reserved by State Statute." These amounts represent the portion of fund balances applicable to various assets not yet realized in cash, which are not available for appropriation as defined by the General Statutes of North Carolina.

Designated for subsequent years expenditures – Represents amounts appropriated for subsequent years budget.

Undesignated - represents the amount of fund balance which is available for future appropriations.

F. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. Expenditures are recognized when the related fund liability is incurred except for the following permitted by generally accepted accounting principles: General obligation long-term debt principal and interest and compensated absences are reported, if any, only when due. Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

1. Inter-Fund Transactions

Inter-fund transactions are reflected as loans, services provided and reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditure/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide presentation.

2. Property Taxes

The Durham County Tax Administrator acts as agent for the City in listing, assessing and collecting all taxes related to real and personal property located in the City. Taxes are levied on property assessed at 100% of the estimated actual value as of the year of revaluation. The City's tax rate may not exceed \$1.50 per \$100 assessed valuation for operating purposes without voted approval by the citizens of the City.

The property tax calendar is as follows:

Taxes are listed each January 1.

Liens may be placed on property January 1.

Taxes are levied each July 1, except for ad valorem taxes on certain vehicles

Taxes are due September of each year.

Taxes are considered delinquent after January 5 of the following year.

Penalties are applied to delinquent taxes at a rate of 2% in January and 3/4 of 1% per month for each month thereafter until collected or foreclosure proceedings are consummated. Garnishment and sale of taxable property are procedures used for collecting delinquent taxes. The tax rate for debt service purposes is unlimited provided that the voters have approved the bonds issued or provided that the bonds issued during any year have not exceeded two-thirds of that fiscal year's net debt reduction.

3. Compensated Absences

The vacation policy of the City provides for carrying forward up to 240 hours earned vacation leave on January 1 of each year with such leave being fully vested when earned. Accrued vacation hours in excess of 240 hours are automatically transferred to accrued sick hours on January 1 of each year. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The City's sick leave policy provides for an unrestricted accumulation of earned sick leave. Upon termination of employment, accumulated sick leave is forfeited. Upon retirement, all of the accumulated sick leave may be used in the determination of length of service for retirement purposes. No obligation to the employer results from such application and therefore, no accrual has been made.

The City's records compensatory time in accordance with the Fair Labor Standards Act (FLSA) for non-exempt employees. All amounts accrued are listed as current, as compensatory time is infrequent and is expected to be used within one year. Some exempt employees receive time off for compensatory time worked, one hour off for each hour worked.

Note II – Stewardship, Compliance and Accountability

A. Compliance with Finance Related Legal and Contractual Provisions

The following enterprise fund had net asset deficit at June 30, 2005: Solid Waste Disposal Fund \$18,927,458. This deficit is related to the post closure costs of the landfill and is expected to be reduced by future revenues. The following governmental funds had fund balance deficits at June 30, 2005: Housing Projects Fund \$1,210,478, Community Development Block Grants Fund \$425,876, HOME Program Grants Fund \$219,602, Sidewalk Projects Fund \$1,590,613. These deficits will be reduced by grant draw downs and debt issued for capital projects.

B. Excess of Expenditures over Appropriations in Individual Funds

For the fiscal year ended June 30, 2005, there were no funds where expenditures exceeded the authorized appropriations.

C. Restatement of Prior Years Balances

While preparing the statements for the fiscal year ending June 30, 2005, the City discovered errors from prior fiscal years in reporting revenue recognition related to grants, certain depreciation amounts reported, an allowance set for doubtful accounts, debt amounts paid, expenses related to third party cash accounts and an unrecorded negative net pension benefit obligation, an asset in the government wide statements. These errors were corrected and the following adjustments have been made.

Grant revenue was being recognized after grants were awarded and when funds were requested for reimbursement. In accordance with GASB 33 the restatement is adjusted to show revenue when grant amounts are eligible for reimbursement. The grant type and amounts are as follows:

Governmental Type Activities			Business Type Activities
Public Safety Grants	HOME Program	Lead Based Paint Program	Transit Fund
\$ (257,747)	\$ (184,897)	\$ (97,988)	\$ 2,507,846

Depreciation amounts restated for the Parking Facilities and Ballpark Funds are related to a change in the estimated lives that was made in the 2001 fiscal year. The adjusted years were not properly recorded for fiscal years 2001-2004 and resulted in an overstatement of depreciation. Depreciation amounts restated for the Solid Waste Fund were due to a clerical error in the 2001 fiscal year that were not reconciled until the 2005 fiscal year. The error resulted in an understatement of depreciation amounts recorded in the fiscal years 2001-2004.

Business Type Activities		
Parking Facilities Fund	Ballpark Fund	Solid Waste Fund
\$ 302,153	\$ 192,181	\$ (139,667)

In previous years allowances for doubtful accounts in the Solid Waste Fund were not recorded or were recorded at minimum amounts. In order to record the amounts correctly for prior years, the adjustment that follows was made.

Business Type Activities
Solid Waste Fund
\$ (87,368)

The debt amount for mortgage revenue bonds for the Durham Hosiery Mill was reduced in fiscal year 2002 when the mortgage held by the Durham Hosiery Mill partnership was refinanced. In the refinancing a portion of the debt was paid down which also reduced interest amounts paid in fiscal years 2003-2004. The mortgage revenue bonds are secured by the property financed and are limited obligations of the City payable solely from rental income received from Durham Hosiery Mill.. The corrections are only reflected in the government-wide financial statements.

Governmental Type Activities		
Interest	Principal	Total
\$ (77,500)	\$ 2,600,000	\$ 2,522,500

The Risk Retention Fund has third party administrators that pay claims for the City of Durham. Amounts related to claims expense payment were incorrectly reported for fiscal years 2002-2004. The Risk Retention Fund is an Internal Service Fund and the adjustment affects both Governmental and Business Type Activities. The adjustment that follows corrects the expenses related to those claims payments.

Governmental/Business Type Activities
\$ 172,737

The Law Enforcement Officers' Separation Allowance Fund a fiduciary type fund is not reported in the fund statements. The prior period restatement is only reflected in the government wide statements and the amount is recorded in restricted cash. The restatement is due to an over funding of an actuarial determined amount for the funding of the pension obligation.

Fiduciary Fund
Pension Trust Fund - Law Enforcement Officers' Separation Allowance
\$ 1,287,435

Note III – Detailed Notes on All Funds

A. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits.

At year-end, the City's deposits had a carrying amount of \$829,215 and a bank balance of \$2,728,747. Of the balance in the bank under the pooling method, \$388,087 is covered by federal depository insurance. The remaining balance of \$2,340,660 is collateralized by securities set aside by the bank that are held by the City's agents. At June 30, 2005, the City's petty cash and change funds totaled \$17,701 and the City had \$115,400 with third party agents for claims payments.

B. Investments

At June 30, 2005, the City's investment balances were as follows:

Investment Type	Fair Value	Maturities Less Than 1 year	Maturities 1-5 Years	Maturities 5-10 Years	Maturities 10-20 Years	Maturities 20-30 Years
Certificates of Deposit	\$ 1,150,000	\$ 200,000				\$ 950,000
US Government Treasuries	4,896,500		1,479,558	3,416,942		
US Government Agencies	91,216,117	34,485,830	27,303,747	3,525,791	130,184	25,770,565
Bond Trustee Accounts	52,386,880	52,386,880				
Commercial Paper	16,962,325	16,962,325				
Discount Notes	21,805,028	21,805,028				
NC Capital Management Trust	103,695	103,695				
Total:	\$ 188,520,545	\$ 125,943,758	\$ 28,783,305	\$ 6,942,733	\$ 130,184	\$ 26,720,565

Interest Rate Risk. The City's investment guidelines state that in terms of risk tolerance, the City's objective is not to incur any losses through trading of securities. If a loss has to be taken to restructure or reposition a portfolio the action needs prior approval of the Finance Officer. In addition, Investments of the City covered by these guidelines must be diversified to eliminate the risk of loss as a result of over concentration of securities in a specific issuer, or a specific class of securities.

Credit risk. The City invests in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The Bond Trustee Accounts are in highly rated money market instruments, all of the city's other investments are triple A rated

C. Receivables – Allowances for Doubtful Accounts

Receivables at June 30, 2005 for the City's individual major and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Housing Projects	Other Governmental	Water and Sewer	Parking	Transit
Receivables:						
Taxes	\$ 4,154,552	\$ -		\$ -	\$ -	\$ -
Accounts	1,640,435	76,792	1,774,781	12,468,356	88,619	8,033
Special assessments	334,173	-		1,885,729	-	-
Interest	225,257	12,880	166,138	403,875	1,600	13,624
Notes	-	21,068,811	11,269,916	617,092	-	-
Intergovernmental	12,101,100	596	2,870,874	153,596	33	3,403,352
Gross receivables	18,455,517	21,159,079	16,081,709	15,528,648	90,252	3,425,009
Less: allowance for uncollectables	(1,542,092)	(533,385)	(1,006,485)	(3,600,917)	-	-
Net total receivables	<u>\$ 16,913,425</u>	<u>\$ 20,625,694</u>	<u>\$ 15,075,224</u>	<u>\$ 11,927,731</u>	<u>\$ 90,252</u>	<u>\$ 3,425,009</u>

	Solid Waste Disposal	Civic Center	Ballpark	Storm Water	Risk Retention	Pension Trust Fund
Receivables:						
Taxes	-	62,007	-	-	-	-
Accounts	536,520	23,261	15,276	1,862,265	4,066	-
Special assessments	-	-	-	2,600	-	-
Interest	12,648	7,129	1,134	26,925	58,295	14,481
Notes	-	-	-	-	-	-
Intergovernmental	<u>1,879</u>	<u>9,709</u>	<u>1,685</u>	<u>31,209</u>	<u>-</u>	<u>-</u>
Gross receivables	551,047	102,106	18,095	1,922,999	62,361	14,481
Less: allowance for uncollectables	<u>(138,869)</u>	<u>(14,565)</u>	<u>-</u>	<u>(152,845)</u>	<u>(4,066)</u>	<u>-</u>
Net total receivables	<u>412,178</u>	<u>87,541</u>	<u>18,095</u>	<u>1,770,154</u>	<u>58,295</u>	<u>14,481</u>

Notes receivable represent loans made by the City for housing, redevelopment or improvements to blighted areas of the City. These notes receivable have varying interest rates and payment terms, with stated interest rates ranging from 0 to 8.75 percent and scheduled repayment dates through 2036. Some notes are payable in equal installments while others have balloon payments. The city's policy is to defer loans in both the government wide and fund financial statements when there is a stipulation that if a certain condition is met the loans are forgiven and treated as grants to the individuals, nonperformance related to the stipulations would reduce the deferred amounts.

The City had the following notes receivable that were in default at June 30, 2005:

Durham Community Land trust WEHO IV	\$ 111,214
Urban Ministries, Inc.	<u>461,610</u>
	<u>\$ 572,824</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balances	Additions	Disposals/ Adjustments/ Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,698,932	\$ 1,074,816	\$ 109,726	\$ 28,883,474
Construction in progress	15,843,167	6,654,896	(16,474,584)	6,023,479
Total capital assets not being depreciated	<u>43,542,099</u>	<u>7,729,712</u>	<u>(16,364,858)</u>	<u>34,906,953</u>
Capital assets being depreciated:				
Buildings	74,220,500	-	14,694,288	88,914,788
Infrastructure	73,973,451	20,281,466	(565,059)	93,689,858
Furniture and office equipment	7,880,264	1,452,523	(4,290,662)	5,042,125
Machinery and equipment	49,806,958	9,811,699	(5,882,677)	53,735,980
Total capital assets being depreciated	<u>205,881,173</u>	<u>31,545,688</u>	<u>3,955,890</u>	<u>241,382,751</u>
Less accumulated depreciation for:				
Buildings	(21,228,700)	(2,372,490)	-	(23,601,190)
Infrastructure	(2,642,083)	(1,626,811)	-	(4,268,894)
Furniture and office equipment	(6,715,826)	(433,176)	3,712,377	(3,436,625)
Machinery and equipment	(34,979,192)	(4,341,513)	4,905,554	(34,415,151)
Total accumulated depreciation	<u>(65,565,801)</u>	<u>(8,773,990) *</u>	<u>8,617,931</u>	<u>(65,721,860)</u>
Total capital assets being depreciated, net	<u>140,315,372</u>	<u>22,771,698</u>	<u>12,573,821</u>	<u>175,660,891</u>
Governmental activity capital assets, net	<u>\$ 183,857,471</u>	<u>\$ 30,501,410</u>	<u>\$ (3,791,037)</u>	<u>\$ 210,567,844</u>

* Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ (238,883)
Public Protection	(2,275,995)
Development	(292,900)
General Services	(3,270,545)
Recreation	(1,007,787)
Streets and Highways	(1,687,880)
	<u>\$ (8,773,990)</u>

	Beginning Balances	Additions	Adjustments/ Transfers	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 36,256,964	\$ 33,044	\$ (259,030)	\$ 36,030,978
Construction in progress	<u>2,793,091</u>	<u>6,403,839</u>	<u>(174,989)</u>	<u>9,021,941</u>
Total Capital assets not being depreciated	<u>39,050,055</u>	<u>6,436,883</u>	<u>(434,019)</u>	<u>45,052,919</u>
Capital assets being depreciated:				
Infrastructure	227,592,769	2,271,646	-	229,864,415
Buildings	213,101,372	-	-	213,101,372
Furniture and office equipment	4,443,781	23,042	(341,022)	4,125,801
Machinery and equipment	<u>31,881,203</u>	<u>1,936,107</u>	<u>(1,845,520)</u>	<u>31,971,790</u>
Total capital assets being depreciated	<u>477,019,125</u>	<u>4,230,795</u>	<u>(2,186,542)</u>	<u>479,063,378</u>
Less accumulated depreciation for:				
Infrastructure (1)	(115,294,507)	(3,515,258)	526	(118,809,239)
Buildings (2)	(98,684,359)	(5,023,910)	-	(103,708,269)
Furniture and office equipment	(3,590,133)	(57,882)	271,008	(3,377,007)
Machinery and equipment	<u>(17,381,917)</u>	<u>(2,256,045)</u>	<u>1,653,190</u>	<u>(17,984,772)</u>
Total accumulated depreciation	<u>(234,950,916)</u>	<u>(10,853,095) *</u>	<u>1,924,724</u>	<u>(243,879,287)</u>
Total capital assets being depreciated, net	<u>242,068,209</u>	<u>(6,622,300)</u>	<u>(261,818)</u>	<u>235,184,091</u>
Business-type activities capital assets, net	<u>\$ 281,118,264</u>	<u>\$ (185,417)</u>	<u>\$ (695,837)</u>	<u>\$ 280,237,010</u>

Adjustments to beginning balances

(1) Prior period restatement; see Note II. C. Ballpark Fund \$(60,717) and Solid Wasre Fund \$139,667

(2) Prior period restatement; see Note II. C. Ballpark Fund \$(131,464) and Parking Facilities Fund \$(302,153)

* Depreciation expense was charged to functions as follows:

Business-type activities:

Water/Sewer distribution systems	\$ (7,527,789)
Parking facilities	(260,452)
Stormwater	(407,399)
Civic Center operations	(287,930)
Ballpark operations	(327,967)
Landfield operations	(856,605)
Transit	<u>(1,184,953)</u>
	<u>\$ (10,853,095)</u>

E. Construction and Service Contracts

At June 30, 2005, the City has commitments outstanding for construction of capital projects totaling approximately \$32,900,017. The City also has commitments outstanding for service contracts totaling approximately \$7,254,107.

F. Interfund Receivables, Payables and Transfers

1. The composition of interfund balance at June 30, 2005, are as follows:

Due to Other Funds

Receivable Fund	Payable Fund	Amount
<u>Governmental Activities:</u>		
Public Safety Grants Fund	HOME	\$ 82,496
Employment and Training Fund	Community Development Block Grant	72,412
Public Safety Grants Fund	FEMA Grants	550,000
Other Special Revenue Grants Fund	FEMA Grants	247,174
Recreation and General Capital Projects Fund	General Projects Fund	178,000
Recreation and General Capital Projects Fund	Housing Projects Fund	1,300,000
Recreation and General Capital Projects Fund	Sidewalk Projects	700,000
Street Projects Fund	Sidewalk Projects	1,100,000
		<u>4,230,082</u>
<u>Business Type Activities:</u>		
Water and Sewer Utility	Transit	1,784,810
Water and Sewer Utility	Ballpark	2,993,032
		<u>4,777,842</u>
	Total Due to Other Funds	<u>\$ 9,007,924</u>

Advance to Other Funds

Receivable Fund	Payable Fund	Amount
Transit Investment	General	\$ 229,016
Transit Investment	Ballpark	229,016
Water and Sewer Utility	Ballpark	2,811,314
		<u>\$ 3,269,346</u>

Due to other fund balances are over night loans at fiscal year end from the receivable fund to the payable fund to cover cash deficits in the payable fund. The amounts are reversed on the first day of the next fiscal year. The fund with the cash deficit then has a liability to the pooled cash and investments.

Advance to other fund balances are for loans that that were made by the receivable to the payable fund for capital improvements in the payable fund.

2. Transfers To Other Funds

The following is a schedule of interfund transfers for the year ended June 30, 2005:

Transfer in:	Transfers out					Total
	General Fund	Nonmajor Funds	Water and Sewer Fund	Transit Fund	Storm Water Fund	
General fund	\$ -	\$ 51,764	\$ 234,598.00	\$ 230,000	\$ 31,890	\$ 548,252
Nonmajor funds	4,862,706	1,861,556	-	1,293,573	-	8,017,835
Water and sewer fund	-	-	-	-	605,324	605,324
Parking facilities fund	664,691	-	-	-	-	664,691
Transit fund	2,558,677	1,231,952	-	-	-	3,790,629
Solid waste disposal fund	1,390,933	-	-	-	-	1,390,933
Civic Center fund	-	-	-	-	-	-
Ballpark fund	1,800,723	-	-	-	-	1,800,723
Storm water fund	-	-	-	-	-	-
Internal service fund	-	-	222,000	-	15,800	237,800
Total transfers out	<u>\$ 11,277,730</u>	<u>\$ 3,145,272</u>	<u>\$ 456,598</u>	<u>\$ 1,523,573</u>	<u>\$ 653,014</u>	17,056,187

Transfer in of general capital assets:

To proprietary funds from existing general capital assets	59,864
Total transfers in	<u>\$ 17,116,051</u>

Transfers out of the General Fund for the most part are to cover debt services payments in the fund receiving the transfer. General Fund transfers to the Nonmajor Funds are for grant and capital related items. Transfers out of the Nonmajor Funds (Transit Investment Fund) to the Transit Fund are to support debt service, operations and capital items. Transfers out of the Nonmajor Funds to the General Fund are related to prior financing of the General Fund for projects in the Nonmajor Funds. Transfers out of the Stormwater Fund to the Water and Sewer Fund are to reimburse for lab work and some administrative costs.

G. Leases

Leases Operating

The City leases building and office facilities under noncancelable operating leases. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

Ending June 30,	
2006	\$ 173,137
2007	175,797
2008	114,369
2009	91,345
2010	39,517
Total	<u>\$ 594,165</u>

Operating lease amounts paid in 2005 were \$186,771.

2. Capital Leases

There were no capital lease agreements for the year ending June 30, 2005.

H Long Term Obligations

General Obligation Bonds

The City issues general obligation bonds to provide for the acquisition and construction of major equipment and capital facilities. These debt obligations are backed by the full faith, credit and taxing power of the City. However, the principal and interest requirements of the Water and Sewer Utility Fund, the Parking Facilities Fund, Solid Waste Disposal Fund, the Transit Fund and the Civic Center Fund are intended to be repaid from the revenues of those funds.

General obligation bonds outstanding at June 30, 2005:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Balance June 30, 2005
Public Improvements 1993 - Series B	03/01/93	2008	4.70 - 5.20	\$ 23,700,000	\$ 6,975,000
Public Improvements 1993 - Series C	03/18/93	2014	Variable	15,365,000	15,365,000
Public Improvements 1996	02/01/96	2016	4.60 - 5.10	15,225,000	12,530,000
Housing Bonds 1996	04/10/96	2008	6.50 - 6.50	7,100,000	2,495,000
Public Improvements 1997	02/01/97	2016	5.00 - 5.40	7,190,000	4,590,000
Public Improvements 1998	03/01/98	2017	4.50 - 4.70	18,550,000	11,900,000
Public Improvements 1999	04/01/99	2019	4.25 - 5.00	29,255,000	23,255,000
Public Improvements 2000 - Series A	03/01/00	2019	5.25 - 5.50	15,185,000	11,435,000
Public Improvements 2000 - Series B	09/01/00	2021	4.80 - 5.10	16,910,000	13,710,000
Housing Bonds 2000	10/26/00	2018	Variable	8,000,000	7,000,000
Public Improvements 2002	06/01/02	2022	4.00 - 5.00	25,910,000	22,910,000
Refunding Series 2003	06/01/03	2023	5.00 - 6.00	45,490,000	32,885,000
Refunding Series 2004	01/01/04	2024	2.00 - 4.00	19,540,000	18,475,000
2/3 Bonds 2004	06/28/04	2024	4.00 - 5.00	10,000,000	10,000,000
				<u>\$ 257,420,000</u>	<u>\$ 193,525,000</u>

The bonds are recorded as follows:

Governmental Activities	\$ 91,635,730
Business-type Activities (Water & Sewer, Solid Waste, Transit, Civic Center Funds)	101,889,270
TOTAL	<u>\$ 193,525,000</u>

The City is subject to the Local Government Bond Act of North Carolina that limits the net bonded debt the City may have outstanding to eight percent of the appraised value of property subject to taxation. At June 30, 2005 such statutory limit for the City was \$1,226,003,949 providing a debt margin of approximately \$935,087,018.

In prior years, the City defeased certain General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

The following schedule shows annual requirements to amortize all general obligation bonds debt outstanding as of June 30, 2005. Interest on variable rate bonds has been estimated using the rate in effect at June 30, 2005.

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 7,289,799	\$ 4,582,166	\$ 8,465,201	\$ 4,841,455
2007	7,232,859	4,209,669	8,072,140	4,451,982
2008	7,313,289	3,846,951	8,781,710	4,080,255
2009	6,240,085	3,484,942	10,679,915	3,668,477
2010	5,746,786	3,186,203	10,258,213	3,157,781
2011	5,440,436	2,911,143	9,984,564	2,669,905
2012	6,456,810	2,649,546	10,088,189	2,193,853
2013	4,470,043	2,345,237	10,179,957	1,729,462
2014	5,673,497	2,123,689	7,191,502	1,241,194
2015	5,478,478	1,826,051	4,886,522	896,306
2016-2020	21,739,944	5,119,458	12,695,060	1,638,635
2021-2025	8,553,703	839,385	606,297	45,740
Total	\$ 91,635,730	\$ 37,124,440	\$ 101,889,270	\$ 30,615,045

As of June 30, 2005, \$26,772,000 general obligation bonds were authorized but unissued.

Mortgage Revenue Bonds

The City is also a party to urban redevelopment revenue bonds that were used to fund the acquisition and rehabilitation of the former Durham Hosiery Mill. These bonds were issued on March 1, 1987 for an amount totaling \$5,715,000 with an interest rate of 7.50%. Debt service requirements are met through rental income from Durham Hosiery Mill. The mortgage revenue bonds are secured by the property financed and are payable solely from rental income received from Durham Hosiery Mill.

Future requirements to pay principal and interest for the governmental activity at June 30, 2005, are as follows:

Fiscal year	Principal	Interest	Total
2006	\$ -	\$ 186,000	\$ 186,000
2007	-	186,000	186,000
2008	-	186,000	186,000
2009	-	186,000	186,000
2010	-	186,000	186,000
2011-2029	2,480,000	3,627,000	3,627,000
	<u>\$ 2,480,000</u>	<u>\$ 4,557,000</u>	<u>\$ 7,037,000</u>

In fiscal year 1997-98, the City was a party to a \$5,000,000 issue in Multifamily Housing Revenue Bonds. Proceeds from this sale were loaned to The Ivy Commons Limited Partnership to assist the company with the purchase, rehabilitation, and equipping of a 231 unit multifamily residential housing project. The proceeds will also fund a debt service reserve fund. The mortgage revenue bonds are secured by the property financed and payable solely from rental income received from the project. The bonds are limited obligations of the City and do not constitute general obligation debt or a liability of the City.

Certificates of Participation

The City has contracts payable to New Durham Corporation with terms of twenty years and interest and principal payments due annually. The City also has contracts payable to Durham Risk Management Corporation with interest payments monthly and principal payment annually.

Certificates of Participation outstanding as of June 30, 2005:

	<u>Issue Date</u>	<u>To</u>	<u>Rate</u>	<u>Issue</u>	<u>June 30, 2005</u>
Risk Management 1993 - Series A	01/06/93	2009	Variable	\$ 20,800,000	\$ 3,000,000
Refunding 1996 - Series A	12/15/96	2010	3.75 - 5.25	3,255,000	1,655,000
Refunding 1996 - Series B	12/15/96	2010	3.75 - 5.25	4,415,000	3,150,000
Refunding 1998 - Series A	10/15/98	2010	3.00 - 4.60	8,030,000	6,340,000
Multi-purpose 2001 - Series A	07/15/01	2021	3.40 - 5.25	15,660,000	11,600,000
Refunding 2001 - Series A	07/15/01	2011	5.40 - 6.88	8,000,000	5,105,000
American Tobacco - 2003 Series A	08/23/03	2023	1.50 - 6.40	14,000,000	12,755,000
Multi-purpose 2005A	04/28/05	2025	3.25 - 5.25	34,885,000	34,885,000
Multi-purpose 2005B	04/28/05	2007	4.00 - 4.25	905,000	905,000
				<u>\$109,950,000</u>	<u>\$ 79,395,000</u>

The COPs are recorded as follows:

Governmental Activities	\$ 67,950,000
Business-type Activities (Ballpark and Parking facilities Funds)	11,445,000
Total	<u>\$ 79,395,000</u>

Future requirements to pay principal and interest on the contracts at June 30, 2005, are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 6,575,000	\$ 3,416,186	\$ 1,440,000	\$ 502,990
2007	6,625,000	3,008,660	2,290,000	420,893
2008	6,215,000	2,728,173	2,380,000	354,315
2009	5,005,000	2,482,759	1,700,000	235,380
2010	5,060,000	2,233,996	1,775,000	154,185
2011-2015	20,320,000	7,710,046	1,860,000	68,430
2016-2020	10,490,000	4,206,898	-	-
2021-2025	7,660,000	1,234,395	-	-
Total	<u>\$ 67,950,000</u>	<u>\$ 27,021,113</u>	<u>\$ 11,445,000</u>	<u>\$ 1,736,193</u>

Certificates of Participation Issuance

On May 1, 2005 the City of Durham issued Certificates of Participation, (COPS) Series 2005A and 2005B in the amount of \$905,000 and \$34,885,000 respectively, carrying an interest rates from 3.24% to 5.00% The COPS were issued to the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The COPS are being issued to provide funds that will be used by the City to pay the costs for renovation of city hall, police laboratory building, police headquarters, Carolina Theater and Durham Arts Council, acquisition, construction and installation of 9-1-1 emergency communication facilities, acquisition of vehicles for yard waste, fire fighting and rescue, acquisition, construction and equipping of two new fire stations, improvements to parking garages, construction of facilities of USA Baseball and acquisition of technology related hardware and software. Of the proceeds and a city contribution of \$2,189,483, \$29,215,380 will be used for the above projects. \$5,172,770 will be used for

the redemption of 1995 COPS which have a variable interest rate of 4.00% to 5.80%, \$5,758,340 for a deposit in to the escrow fund for the 1997B Series COPS which have an interest rate of 4.50% to 6.75% and \$428,101 was used for costs of issuance. The economic gain for the 1995 COPS and 1997B Series COPS was \$120,969 and \$214,508 respectively. The aggregate difference in the debt was (\$1,710,000) for the 1995 COP issue and \$(310,000) for the 1997 issue.

Revenue Bonds

Over the last twelve years, the City issued \$49,265,000 in revenue bonds to fund certain capital improvements in the Water and Sewer Fund. These obligations are not backed by the full faith and credit of the City, but only by net revenues, as defined, of the Water and Sewer Fund. The City is required to make monthly deposits with the trustee to cover annual debt service requirements.

	Issue Date	Due Serially To	Interest Rate	Original Issue	Balance June 30, 2005
Series 1994 Variable	12/15/1994	2016	Variable	\$ 10,500,000	\$ 10,500,000
Series 1998	6/15/1998	2018	4.50 - 5.00	16,765,000	12,530,000
Series 2001	7/15/2001	2021	2.75 - 5.25	22,000,000	19,030,000
				<u>\$ 49,265,000</u>	<u>\$ 42,060,000</u>

Future requirements to pay principal and interest on the water and sewer revenue bonds liabilities at June 30, 2005, are as follows:

Fiscal year	Principal	Interest	Total
2006	\$ 2,260,000	\$ 2,121,915	\$ 4,381,915
2007	2,325,000	2,015,715	4,340,715
2008	2,490,000	1,902,273	4,392,273
2009	2,565,000	1,780,831	4,345,831
2010	2,740,000	1,652,516	4,392,516
2011-2015	15,905,000	5,982,867	21,887,867
2016-2020	12,115,000	1,940,250	14,055,250
2021-2025	1,660,000	83,000	1,743,000
	<u>\$ 42,060,000</u>	<u>\$ 17,479,367</u>	<u>\$ 59,539,367</u>

Durham County Notes

Notes payable to Durham County (the "County") consist of a series of 20 year notes with final maturity dates ranging from 2010 to 2016. The notes were given to the County in exchange for certain water and sewer assets transferred to the City. The notes bear interest at 5.54 percent. Principal payments for each note are due based on the collections of certain assessments, frontage fees and water and sewer charges received by the City, which are attributable to the related project. Given the uncertainty of the timing of these future collections, annual maturities for these notes are not determinable.

State of North Carolina

The City has drawn down \$15,000,000 from the State of North Carolina to fund the North Durham Water Reclamation Facility upgrade and expansion project. Interest will accrue at 3.70% per annum on the

unpaid principal. Future requirements to pay principal and interest to the State of North Carolina at June 30, 2005 are as follows:

Fiscal year	Principal	Interest	Total
2006	750,000	249,750	999,750
2007	750,000	222,000	972,000
2008	750,000	194,250	944,250
2009	750,000	166,500	916,500
2010	750,000	138,750	888,750
2011-2014	3,000,000	277,500	3,277,500
	<u>\$ 6,750,000</u>	<u>\$ 1,248,750</u>	<u>\$ 7,998,750</u>

The City has a line of credit that has been drawn on during Fiscal Year 2005, it is a twenty year promissory note from the North Carolina Drinking Water State Revolving Fund in the principal amount of \$2,700,000 at a rate of 2.87% per annum to provide funds to pay a part of the cost of a water project. Future requirements to pay principal and interest to the State of North Carolina are as follows:

Fiscal year	Principal	Interest	Total
2006	135,000	69,741	204,741
2007	135,000	65,867	200,867
2008	135,000	61,992	196,992
2009	135,000	58,118	193,118
2010	135,000	54,243	189,243
2011-2015	675,000	213,099	888,099
2016-2020	675,000	116,236	791,236
2021-2022	270,000	158,248	428,248
	<u>\$ 2,295,000</u>	<u>\$ 797,544</u>	<u>\$ 3,092,544</u>

Changes in Long Term Obligations

The following is a summary of changes in long term obligations during the year ended June 30, 2005:

	Principal Outstanding June 30,2004	Additions	Retirements	Principal Outstanding June 30, 2005	Due within One Year
Governmental activities					
Bonds Payable					
General obligation bonds	\$ 98,954,473	\$ -	\$ (7,318,743)	\$ 91,635,730	\$ 7,289,799
Mortgage Revenue bonds (1)	2,480,000	-	-	2,480,000	-
Plus/(less) deferred amounts	447,973	-	(116,928)	331,045	116,925
Total bonds payable	101,882,446	-	(7,435,671)	94,446,775	7,406,724
Certificates of participation	43,805,000	35,790,000	(11,645,000)	67,950,000	6,575,000
Plus (less) deferred amounts	(361,722)	1,182,753	51,191	872,222	(59,725)
Total certificates of participation	43,443,278	36,972,753	(11,593,809)	68,822,222	6,515,275
Accrued compensated absences	7,645,256	4,169,771	(3,256,648)	8,558,379	3,250,000
Notes payable to N.C.					
Department of Transportation	59,249	-	(59,249)	-	-
Total governmental activities	\$ 153,030,229	\$ 41,142,524	\$ (22,345,377)	\$ 171,827,376	\$ 17,171,999
(1) See Note II. C.					
Business-type activities					
Bonds Payable					
General obligation bonds	\$ 110,345,527	\$ -	\$ (8,456,257)	\$ 101,889,270	\$ 8,465,201
Revenue bonds	44,235,000	-	(2,175,000)	42,060,000	2,260,000
Plus (less) deferred amounts	690,850	-	(187,471)	503,379	187,475
Total bonds payable	155,271,377	-	(10,818,728)	144,452,649	10,912,676
Certificates of participation	12,835,000	-	(1,390,000)	11,445,000	1,440,000
Plus (less) deferred amounts	(426,945)	-	85,298	(341,647)	(76,477)
Total certificates of participation	12,408,055	-	(1,304,702)	11,103,353	1,363,523
Accrued compensated absences	993,481	651,560	(640,997)	1,004,044	650,000
Notes payable to North Carolina					
Department of transportation	675,227		(675,227)	-	-
Notes payable to State of					
North Carolina	9,930,000	-	(885,000)	9,045,000	885,000
Notes payable to Durham County	31,657,753	-	(73,155)	31,584,598	830,000
Total Business-type activities	\$ 210,935,893	\$ 651,560	\$ (14,397,809)	\$ 197,189,644	\$ 14,641,199

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Approximately 95% of compensated absences liquidated in the governmental activities are in the general fund.

Note IV - Other

A. Risk Management

The City is exposed to various risks of loss related to workers' compensation, property, general and automobile. The City's internal Risk Fund provides funds for losses retained by the City, including claims paid to others and deductible amounts on otherwise insured losses. Annually, as of June 30, the program has a third party actuary review the claim history for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims) for each year's claim experience and projects the new year's probable loss fund cost.

The City maintains the following deductibles or self insured retentions on insurance policies: \$350,000 per occurrence for vehicle and general liability, public official and law enforcement liability and workers compensation, \$100,000 per loss for commercial property (\$5,000 on the Civic Center), \$25,000 per loss on boiler and machinery, \$2,500 per loss on money and securities, \$500 per loss on flood at West Point Mill and \$2,500 per loss on employee blanket bond (\$1,000 for peace officers) and individual public official bonds. The amounts paid are based on historical cost information and actuarial estimates of the amounts needed to pay prior and current year claims and to have a reserve amount available to fund catastrophic losses.

The pending claims liability of \$5,707,000 reported in the statement of net assets at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement Number 10, which required that a liability for claims be reported if information prior to the issuance of the basic financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability follow:

	Beginning of Year	Claims, Fees and Changes in Estimates	Payments	End of Year
2003	\$ 6,172,000	\$ 4,944,126	\$ 4,051,359	\$ 7,064,767
2004	7,064,767	2,897,262	3,026,985	6,935,044
2005	6,935,044	1,958,226	3,186,270	5,707,000

The City is self-insured for mental health and dental coverage for the majority of the City employees. The outstanding liability is for current claims and is recorded in the General Fund. Changes in the liability follow:

	Beginning of Year	Claims, Fees and Changes in Estimates	Payments	End of Year
2003	\$ 201,441	\$ 1,019,052	\$ 1,028,379	\$ 192,114
2004	192,114	1,294,555	1,251,759	234,910
2005	234,910	1,322,111	1,312,844	244,177

B. Subsequent Events

General Obligation Bonds Issuance

In September 2005 the City of Durham issued \$25,000,000 in General Obligation Bonds. The bonds were issued in the following series; Series 2005A, \$10,000,000 issued September 27, Series 2005B, \$5,600,000 and Series 2005C, \$9,400,000 both issued September 28. The General Obligation Bonds are being issued to the provisions of The Local Government Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, orders duly adopted by the City Council of the City, and resolution duly passed by the City Council. The bonds are being issued to provide funds that will be used by the City for housing improvements, street improvements, parks and recreational facilities, municipal buildings, sanitary sewer improvements and public safety communications equipment.

General Obligation Bonds Issuance

On October 12, 2005 the City of Durham issued \$23,545,000 in General Obligation Bonds Series 2005D dated November 1, 2005. The General Obligation Bonds are being issued to the provisions of The Local Government Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, orders duly adopted by the City Council of the City, and resolution duly passed by the City Council. The bonds are being issued to refund the following General Obligation Bonds outstanding; Series 1996, Series 1997 and Series 2000A.

Revenue Bonds Issuance

On October 12, 2005 the City of Durham issued the following Revenue Bonds; Series 2005 and dated on date of delivery 2005 in the amount of \$18,605,000. The bonds are being issued pursuant to the State and Local Government Revenue Bond Act, Chapter 159-80 of the General Statutes of North Carolina, orders duly adopted by the City Council of the City, and resolution duly passed by the City Council. The bonds are being issued to refund the following Revenue Bonds outstanding; Series 1994, Series 1998 and Series 2001.

C. Jointly Governed Organization

1. Research Triangle Regional Public Transportation Authority

The City, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority. The City and Durham County appoint one member each and jointly appoint a third member. The Authority possesses final decision making ability and is solely responsible for the management, budget, and fiscal operations of the Authority.

2. Triangle J Council of Governments

The City of Durham along with twenty five other municipalities and seven counties, established the Triangle J Council of Governments. The participating governments, established the Triangle J Council of Governments to coordinate various funding received from federal and state agencies. Each participating member appoints one official to the governing board of the Triangle J Council of Governments. The City paid membership fees of \$58,729 to the Council during the fiscal year ending June 30, 2005.

D. Joint Venture

Raleigh Durham Airport Authority

The Raleigh Durham Airport Authority is a joint venture without equity interest, it is governed by an eight-member board, of which two members are appointed by the City of Durham. Wake and Durham Counties and the City of Raleigh each appoint two members. The City is not able to impose its will on appointed members. Each government contributes \$12,500 annually for administration of the Authority.

The Authority possesses final decision-making ability and is solely responsible for the management, budget and fiscal operations of the Authority. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2005. Complete financial statements of the Authority may be obtained from the Authority's administrative offices at RDU Airport, North Carolina 27623.

E. Related Organization

Durham Housing Authority

In accordance with the process outlined in the North Carolina General Statutes, as amended by local act, the City Council appoints members to the governing board of the Authority but is not able to impose its will on appointed members. Budgetary and financial management and fiscal operations of the Authority are totally the responsibility of the Authority. The City receives reports and makes recommendations as provided by State General Statute 157-27. The Authority has independent legislative and administrative authority.

F. Civic Center

In a contractual agreement, The Durham Civic Center Authority was established by the City and County of Durham and is assigned such powers as necessary, reasonable and practicable for the operation and maintenance of the Civic Center facility. The Durham Civic Center Authority consists of seven members who are appointed to three-year terms. Three members are appointed by the City and three members by the County, with the seventh member selected by the six members appointed by the City and County. The members elect from its membership a Chairman and Vice Chairman. The Shaner Hotel Group has a contract with the Durham Civic Center Authority and manages the operation of the Civic Center for the City and the County. The City and the County share all operating costs and all operating revenues equally. All budgeting and accounting of the Durham Civic Center Authority, including the collection or disbursement of funds, are part of the budgeting and accounting systems of the City.

The City and County determined that the construction of a civic center would stimulate private investment in and rejuvenate the downtown area of the City. In October 1987, the City and County entered into agreements with a private developer to construct the Civic Center. The City and County initially deposited \$17,300,000, \$14,300,000 by the City and \$3,000,000 by the County, in an escrow account that together with interest was used to fund the purchase the facility. The County will continue to repay the City for their portion of the cost of construction with annual payments until the year 2006, at which time both the City and the County will each own 50% of the equity in the Civic Center. The current contract percentage of ownership by the County at June 30, 2005 is 48.6 %. The entire operation of the Civic Center is included in the Enterprise Funds section of this report. The County's current ownership in the civic center is presented as the minority interest in the Civic Center Fund.

G. Post-Retirement Benefits

1. Health Benefits

In addition to providing pension benefits, the City has elected to provide post-retirement health benefits to retirees of the City who elect to continue group health insurance until age 65. Eligibility for post retirement health insurance is limited to retirees who have not reached the age of 65 and have been a member of the group health plan for 90 days prior to the retirement date. The City currently provides a subsidy of 70% of the premium charged by the provider for retiree and eligible dependent health insurance. For disabled retirees, the City pays 100% of the premium for individual coverage for the 12 months following retirement, and supplements dependent coverage at retiree group rates. The disabled

retiree has the option after the 12 month period to continue group health insurance until age 65 under the then current group retiree plan. Currently 400 retirees are participating in the plan. For the year ended June 30, 2005, the City remitted to providers approximately \$1,532,870 for health insurance premiums for retirees. The City also reimburses retired employees over 65 for health insurance acquired to supplement Medicare. At June 30, 2005 there were approximately 197 employees who were receiving reimbursements. The total reimbursements paid by the City for the fiscal year was \$ 223,791.

2. Death Benefits

For pre-1972 retirees, the City elected to provide them death benefits through a group life insurance carrier. Currently, 1 retiree has coverage equal to their annual salary at the time of retirement rounded to the nearest thousand dollars. The City paid \$374 in premiums for this coverage. For all post-1972 disabled retirees, the coverage is equal to their annual salary at the time of retirement rounded to the nearest thousand dollars. Presently, 13 post-1972 retirees are covered by this benefit. The City paid \$1,745 for the year ended June 30, 2005 in premiums for this coverage.

3. Death Trust Plan

The City has elected to provide death benefits to law enforcement officers through the Death Trust Plan for Members of the Local Governmental Employee's Retirement System (Death Trust Plan), a State administered plan funded on a one year-term basis. Lump sum death benefits are provided to officers 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. This payment is equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. Annually, the State sets the City's monthly contribution rate for death benefits. For the fiscal year ended June 30, 2005, the City made contributions to the state for death benefits of \$27,881 for law enforcement officers representing 0.14% of covered payroll.

H. Employee Retirement Systems

1. The North Carolina Local Government Employees' Retirement System

Plan description. All permanent full-time City of Durham employees contribute to the state wide Local Government Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. The LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.78%, respectively, of annual covered payroll. The contribution requirements are established and may be amended by the North Carolina General Assembly. The City's contribution to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$4,101,283, \$3,886,315 and \$3,717,552, respectively. The contributions made by the City equaled the required contributions for each year.

2. Law Enforcement Officers' Special Separation Allowance

The City of Durham administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined pension benefit plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The

plan does not issue a standalone financial report and is not included in the report of a public retirement system or other entity.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2005, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	59
Active plan members	<u>388</u>
Total	<u>447</u>

Summary of significant accounting policies

Basis of accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments. Investments are reported at cost, which approximates fair value. Short-term debt, deposits, repurchase agreements, and North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at cost, which also approximates fair value.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$771,390 or 3.68% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The annual required contribution for the fiscal year ended June 30, 2005 was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 5.9% to 9.8% per year. The inflation component was 3.75%. The assumptions did not include post retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2004 was 26 years. The plan had a negative net pension obligation at June 30, 2005, the amount is reported as restricted in the governmental activities in the government wide statements.

Annual pension cost and net pension obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 709,459
Interest on net pension obligation	(93,339)
Adjustment to annual required contribution	<u>72,222</u>
Annual pension obligation	688,342
Contributions made	<u>760,735</u>
Increase (decrease) in net pension obligation	(72,393)
Net pension obligation beginning of year	<u>(1,287,436)</u>
Net pension obligation end of year	<u><u>\$ (1,359,829)</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2003	\$ 614,135	111.94%	\$ (1,232,229)
6/30/2004	656,141	108.41%	(1,287,436)
6/30/2005	688,342	110.52%	(1,359,829)

3. Supplemental retirement income plan of North Carolina

Plan description. The City contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to all law enforcement officers and any other employees who are currently members of a state-administered retirement plan and are eligible to participate in the Plan. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend the benefit provisions to the North Carolina General Assembly.

Funding policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. The City also contributes 5% of its full-time non-law enforcement employees' salaries to the plan. Contributions for the year ending June 30, 2005 were \$994,728 for law enforcement officers and \$3,279,789 for non-law enforcement employees. Voluntary contributions from all employees were \$2,310,250.

4. Deferred Compensation

All permanent City employees and elected officials may participate in a deferred compensation program designated as an Internal Revenue Code Section 457 plan. Voluntary contributions from all employees were \$919,107.

The City contributes to the deferred compensation plan for firefighters who do not have social security taxes deducted from their wages. The amount contributed is a match to the employee's contribution; the employee must contribute the required percentage to receive a City match. For fiscal year 2005 the required percentage was 5%. The amount contributed by the City was \$540,499 which is for wages amounting to \$10,809,974.

I. Closure and Post Closure Care Costs

The City owns a landfill site located in the northeast portion of the City. State and federal laws required the City to place a final cover on its Club Boulevard landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each June 30. The \$7,232,602 reported as landfill closure and post-closure care liability at June 30, 2005 is based on the use of 100% of the estimated capacity of the landfill.

The City closed the landfill December 31, 1997. The City will adjust the estimated amount to perform all closure and post-closure care as the amount changes. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. At June 30, 2005, the City had expended \$7,160,909 in closure costs for the Club Boulevard facility. The City has met the requirements of a local government financial test that is an option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and post closure care requirements.

J. Federal and State Assisted Programs

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant money.

K. Reclassifications

Certain amounts in the prior year statements have been reclassified to conform to current year classifications.

L. Contingencies

The City is involved in several pending lawsuits and claims, which it intends to defend vigorously. In the opinion of the City's attorney and management, the disposition of these matters is not expected to have a material effect on the City's financial position.

CITY OF DURHAM, NORTH CAROLINA

Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/1995	\$ 1,746,913	\$ 3,863,218	\$ 2,116,305	45.22%	\$ 12,060,121	17.55%
12/31/1996	1,878,925	3,991,712	2,112,787	47.07%	12,092,074	17.47%
12/31/1997	1,961,552	4,435,507	2,473,955	44.22%	12,388,284	19.97%
12/31/1998	2,036,156	4,701,185	2,665,029	43.31%	13,025,695	20.46%
12/31/1999	2,082,438	4,929,879	2,847,441	42.24%	14,584,630	19.52%
12/31/2000	2,209,918	7,025,893	4,815,975	31.45%	16,468,076	29.24%
12/31/2001	2,430,586	7,813,595	5,383,009	31.11%	17,435,679	30.87%
12/31/2002	2,601,820	8,506,944	5,905,124	30.58%	18,081,484	32.66%
12/31/2003	2,658,704	8,928,949	6,270,245	29.78%	18,230,391	34.39%
12/31/2004	2,554,357	9,879,082	7,324,725	25.86%	18,454,886	39.69%

CITY OF DURHAM, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Required Supplementary Information Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1996	\$ 272,423	128.3 %
1997	342,508	112.2 %
1998	344,116	118.7 %
1999	374,831	115.3 %
2000	403,406	130.7 %
2001	575,447	95.2 %
2002	554,713	120.6 %
2003	614,135	111.9 %
2004	656,141	108.4 %
2005	688,342	110.5 %

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as a part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9% to 9.8% per year
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

DURHAM



CITY OF MEDICINE

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CITY OF DURHAM, NORTH CAROLINA

Exhibit B-1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents/investments	\$ 8,307,845	\$ 19,067,608	\$ 1,670,123	\$ 29,045,576
Receivables				
Accounts receivable	17,002	1,757,779	-	1,774,781
Accrued investment income	37,014	119,816	9,308	166,138
Notes receivable	<u>10,263,431</u>	<u>-</u>	<u>-</u>	<u>10,263,431</u>
Total receivables	<u>10,317,447</u>	<u>1,877,595</u>	<u>9,308</u>	<u>12,204,350</u>
Due from government agencies	2,569,577	301,297	-	2,870,874
Advance to other funds	458,032	-	-	458,032
Due from other funds	952,082	3,278,000	-	4,230,082
Restricted cash and cash equivalents/investments	<u>-</u>	<u>28,070,789</u>	<u>-</u>	<u>28,070,789</u>
Total assets	<u>\$ 22,604,983</u>	<u>\$ 52,595,289</u>	<u>\$ 1,679,431</u>	<u>\$ 76,879,703</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,998,355	\$ 4,551,654	\$ -	\$ 7,550,009
Accrued payroll	72,406	-	-	72,406
Deposits and payments held in escrow	23,468	-	-	23,468
Deferred income	10,435,026	-	-	10,435,026
Due to other funds	<u>952,082</u>	<u>1,978,000</u>	<u>-</u>	<u>2,930,082</u>
Total liabilities	<u>14,481,337</u>	<u>6,529,654</u>	<u>-</u>	<u>21,010,991</u>
Fund balances (deficit)				
Reserved for:				
Encumbrances	4,774,453	24,817,555	-	29,592,008
Perpetual care	-	-	1,670,123	1,670,123
State Statute	4,033,707	5,456,892	9,308	9,499,907
Unreserved, reported in nonmajor:				
Special revenue funds	(684,514)	-	-	(684,514)
Capital projects funds	<u>-</u>	<u>15,791,188</u>	<u>-</u>	<u>15,791,188</u>
Total fund balances (deficit)	<u>8,123,646</u>	<u>46,065,635</u>	<u>1,679,431</u>	<u>55,868,712</u>
Total liabilities and fund balances \$	<u>\$ 22,604,983</u>	<u>\$ 52,595,289</u>	<u>\$ 1,679,431</u>	<u>\$ 76,879,703</u>

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CITY OF DURHAM, NORTH CAROLINA

Exhibit B-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,426,199	\$ -	\$ -	\$ 1,426,199
Intergovernmental revenues	9,703,995	1,826,439	-	11,530,434
Investment and rental income	398,600	941,665	54,781	1,395,046
Charges for services	170,112	3,801,591	-	3,971,703
Sale of property and miscellaneous	484,683	212,973	-	697,656
Total revenues	<u>12,183,589</u>	<u>6,782,668</u>	<u>54,781</u>	<u>19,021,038</u>
EXPENDITURES				
Current				
General government	85,157	-	-	85,157
Public safety	2,904,900	-	-	2,904,900
Development	8,162,243	-	-	8,162,243
General services	1,104,348	11,569,261	-	12,673,609
Recreation	226,472	5,023,718	-	5,250,190
Streets and highways	528,099	7,332,331	-	7,860,430
Principal	-	465,871	-	465,871
Total expenditures	<u>13,011,219</u>	<u>24,391,181</u>	<u>-</u>	<u>37,402,400</u>
Excess (deficiency) of revenues over expenditures	<u>(827,630)</u>	<u>(17,608,513)</u>	<u>54,781</u>	<u>(18,381,362)</u>
OTHER FINANCING SOURCES (USE)				
Capital related debt issued	-	29,202,392	-	29,202,392
Transfers in	3,404,448	4,574,192	39,195	8,017,835
Transfers out	(881,952)	(2,211,556)	(51,764)	(3,145,272)
Total other financing sources (use)	<u>2,522,496</u>	<u>31,565,028</u>	<u>(12,569)</u>	<u>34,074,955</u>
Net change in fund balances	<u>1,694,866</u>	<u>13,956,515</u>	<u>42,212</u>	<u>15,693,593</u>
Fund balances - beginning as originally reported	6,969,412	32,109,120	1,637,219	40,715,751
Restatement for prior year	(540,632)	-	-	(540,632)
Fund balances - beginning as restated	<u>6,428,780</u>	<u>32,109,120</u>	<u>1,637,219</u>	<u>40,175,119</u>
Fund balances - ending	<u>\$ 8,123,646</u>	<u>\$ 46,065,635</u>	<u>\$ 1,679,431</u>	<u>\$ 55,868,712</u>

CITY OF DURHAM, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	Community Development Block Grants	Home Program Grants	Employment and Training Grants	FEMA Grants
ASSETS				
Cash and cash equivalents/investments	\$ -	\$ -	\$ 15,525	\$ -
Receivables				
Accounts receivable	7,446	9,556	-	-
Accrued investment income	-	-	-	-
Notes receivable	<u>4,246,019</u>	<u>6,017,412</u>	<u>-</u>	<u>-</u>
Total receivables	<u>4,253,465</u>	<u>6,026,968</u>	<u>-</u>	<u>-</u>
Due from government agencies	113,585	33,572	278,521	863,845
Advance to other funds	-	-	-	-
Due from other funds	-	-	<u>72,412</u>	-
Total assets	<u>\$ 4,367,050</u>	<u>\$ 6,060,540</u>	<u>\$ 366,458</u>	<u>\$ 863,845</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 459,200	\$ 177,201	\$ 261,052	\$ -
Accrued payroll	15,295	3,033	46,249	-
Deposits and payments held in escrow	-	-	-	-
Deferred income	4,246,019	6,017,412	-	-
Due to other funds	<u>72,412</u>	<u>82,496</u>	<u>-</u>	<u>797,174</u>
Total liabilities	<u>4,792,926</u>	<u>6,280,142</u>	<u>307,301</u>	<u>797,174</u>
Fund balances (deficits)				
Reserved for:				
Encumbrances	881,755	684,795	484,807	-
State Statute	121,031	43,128	350,933	863,845
Unreserved	<u>(1,428,662)</u>	<u>(947,525)</u>	<u>(776,583)</u>	<u>(797,174)</u>
Total fund balances (deficits)	<u>(425,876)</u>	<u>(219,602)</u>	<u>59,157</u>	<u>66,671</u>
Total liabilities and fund balances	<u>\$ 4,367,050</u>	<u>\$ 6,060,540</u>	<u>\$ 366,458</u>	<u>\$ 863,845</u>

Exhibit B-3

Public Safety Grants	Downtown Revitalization	Transit Investment	Other Special Revenue Grants	Total Nonmajor Special Revenue Funds
\$ 37,013	\$ 4,293,408	\$ 2,611,564	\$ 1,350,335	\$ 8,307,845
-	-	-	-	17,002
4,598	19,743	11,411	1,262	37,014
-	-	-	-	10,263,431
4,598	19,743	11,411	1,262	10,317,447
114,214	-	-	1,165,840	2,569,577
-	-	458,032	-	458,032
632,496	-	-	247,174	952,082
\$ <u>788,321</u>	\$ <u>4,313,151</u>	\$ <u>3,081,007</u>	\$ <u>2,764,611</u>	\$ <u>22,604,983</u>
\$ 97,044	\$ 33,000	\$ -	\$ 1,970,858	\$ 2,998,355
2,393	-	-	5,436	72,406
-	-	-	23,468	23,468
153,425	-	-	18,170	10,435,026
-	-	-	-	952,082
<u>252,862</u>	<u>33,000</u>	<u>-</u>	<u>2,017,932</u>	<u>14,481,337</u>
274,156	24,419	-	2,424,521	4,774,453
751,308	19,743	469,443	1,414,276	4,033,707
(490,005)	4,235,989	2,611,564	(3,092,118)	(684,514)
<u>535,459</u>	<u>4,280,151</u>	<u>3,081,007</u>	<u>746,679</u>	<u>8,123,646</u>
\$ <u>788,321</u>	\$ <u>4,313,151</u>	\$ <u>3,081,007</u>	\$ <u>2,764,611</u>	\$ <u>22,604,983</u>

CITY OF DURHAM, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2005

	Community Development Block Grants	Home Program Grants	Employment and Training Grants	FEMA Grants
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	2,519,377	1,803,154	2,187,740	110,493
Investment and rental income	17,719	32,306	-	-
Charges for services	-	-	-	-
Sale of property and miscellaneous	155,530	212,713	-	-
Total revenues	<u>2,692,626</u>	<u>2,048,173</u>	<u>2,187,740</u>	<u>110,493</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	110,493
Development	2,749,890	1,710,869	2,375,394	-
General services	-	-	-	-
Recreation	-	-	-	-
Streets and highways	-	-	-	-
Total expenditures	<u>2,749,890</u>	<u>1,710,869</u>	<u>2,375,394</u>	<u>110,493</u>
Excess (deficiency) of revenues over expenditures	<u>(57,264)</u>	<u>337,304</u>	<u>(187,654)</u>	<u>-</u>
OTHER FINANCING SOURCE (USE)				
Transfers in	-	-	196,045	13,401
Transfers out	-	-	-	-
Total other financing source (use)	<u>-</u>	<u>-</u>	<u>196,045</u>	<u>13,401</u>
Net change in fund balances	<u>(57,264)</u>	<u>337,304</u>	<u>8,391</u>	<u>13,401</u>
Fund balances (deficits)- beginning as originally reported	(368,612)	(372,009)	50,766	53,270
Restatement	-	(184,897)	-	-
Fund balances (deficits) - beginning as restated	<u>(368,612)</u>	<u>(556,906)</u>	<u>50,766</u>	<u>53,270</u>
Fund balances (deficits) - ending	<u>\$ (425,876)</u>	<u>\$ (219,602)</u>	<u>\$ 59,157</u>	<u>\$ 66,671</u>

Exhibit B-4

Public Safety Grants	Downtown Revitalization	Transit Investment	Other Special Revenue Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 1,426,199	\$ 1,426,199
860,324	-	-	2,222,907	9,703,995
26,057	116,198	92,646	113,674	398,600
-	170,112	-	-	170,112
96,250	-	-	20,190	484,683
<u>982,631</u>	<u>286,310</u>	<u>92,646</u>	<u>3,782,970</u>	<u>12,183,589</u>
-	-	-	85,157	85,157
1,174,104	-	-	1,620,303	2,904,900
-	1,153,831	-	172,259	8,162,243
-	-	-	1,104,348	1,104,348
-	-	-	226,472	226,472
-	-	-	528,099	528,099
<u>1,174,104</u>	<u>1,153,831</u>	<u>-</u>	<u>3,736,638</u>	<u>13,011,219</u>
<u>(191,473)</u>	<u>(867,521)</u>	<u>92,646</u>	<u>46,332</u>	<u>(827,630)</u>
21,568	1,492,200	1,293,573	387,661	3,404,448
-	-	(881,952)	-	(881,952)
<u>21,568</u>	<u>1,492,200</u>	<u>411,621</u>	<u>387,661</u>	<u>2,522,496</u>
<u>(169,905)</u>	<u>624,679</u>	<u>504,267</u>	<u>433,993</u>	<u>1,694,866</u>
963,111	3,655,472	2,576,740	410,674	6,969,412
<u>(257,747)</u>	<u>-</u>	<u>-</u>	<u>(97,988)</u>	<u>(540,632)</u>
<u>705,364</u>	<u>3,655,472</u>	<u>2,576,740</u>	<u>312,686</u>	<u>6,428,780</u>
\$ <u><u>535,459</u></u>	\$ <u><u>4,280,151</u></u>	\$ <u><u>3,081,007</u></u>	\$ <u><u>746,679</u></u>	\$ <u><u>8,123,646</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-5

Special Revenue Fund - Community Development Block Grants Fund

Schedule of Revenues, Expenditures and Transfers from Other Funds - Compared with
Authorizations, from Grant Inception through June 30, 2005

	<u>Grant Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Intergovernmental	\$ 21,021,319	\$ 15,605,102	\$ 2,519,377	\$ 18,124,479
Other	<u>2,346,738</u>	<u>2,010,434</u>	<u>173,249</u>	<u>2,183,683</u>
Total revenues	23,368,057	17,615,536	2,692,626	20,308,162
Expenditures	<u>23,368,057</u>	<u>18,110,840</u>	<u>2,749,890</u>	<u>20,860,730</u>
Excess (deficiency) of revenues and over expenditures	-	(495,304)	(57,264)	(552,568)
Other financing source				
Operating transfers from other funds	<u>-</u>	<u>205</u>	<u>-</u>	<u>205</u>
Excess(deficiency) of revenues and other financing source over expenditures	\$ <u>-</u>	\$ <u>(495,099)</u>	(57,264)	\$ <u>(552,363)</u>
Fund (deficit) balance beginning of year			<u>(368,612)</u>	
Fund (deficit) balance end of year			\$ <u>(425,876)</u>	

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-6

Special Revenue Fund - HOME Program Grants Fund

Schedule of Revenues, Expenditures and Transfers from Other Funds Compared with
Authorizations from Grant Inception through June 30, 2005

	<u>Grant Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Intergovernmental	\$ 12,858,738	\$ 6,924,665	\$ 1,803,154	\$ 8,727,819
Other	<u>1,528,102</u>	<u>1,590,012</u>	<u>245,019</u>	<u>1,835,031</u>
Total revenues	<u>14,386,840</u>	<u>8,514,677</u>	<u>2,048,173</u>	<u>10,562,850</u>
Expenditures	<u>16,975,741</u>	<u>10,490,090</u>	<u>1,710,869</u>	<u>12,200,959</u>
Excess (deficiency) of revenues over expenditures	(2,588,901)	(1,975,413)	337,304	(1,638,109)
Other financing source				
Transfers from other funds	<u>2,588,901</u>	<u>1,418,507</u>	<u>-</u>	<u>1,418,507</u>
Excess (deficiency) of revenues and other financing source over expenditures	\$ <u>-</u>	\$ <u>(556,906)</u>	\$ <u>337,304</u>	\$ <u>(219,602)</u>

CITY OF DURHAM, NORTH CAROLINA

Special Revenue Fund - Employment and Training Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances Compared with Authorizations

From Grant Inception through June 30, 2005

	Revenues and Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
City Funding, FY03	\$ 196,045	\$ 196,045	\$ -	\$ 196,045
City Funding, FY04	196,045	196,045	-	196,045
City Funding, FY05	196,045	-	196,045	196,045
HUD - Passed through UDI/Community Dev.Corp.	130,603	-	-	-
SAGE - Passed through RTI	250,202	248,686	-	248,686
Summer Youth Private Contributions	10,000	10,000	-	10,000
WIA - Enhancement and Incentive FY03-05	324,661	130,587	194,074	324,661
Workforce Incentive Act - 03-05	1,958,215	1,179,378	746,295	1,925,673
WIA - Enhancement and Incentive FY02-04	170,937	165,070	5,867	170,937
Workforce Incentive Act - 04-06	1,626,365	-	994,869	994,869
Workforce Incentive Act - Adult, 02-04	26,796	-	26,796	26,796
Workforce Incentive Act - Administration, 02-04	2,977	-	2,977	2,977
WIA - Enhancement and Incentive FY 04-06	476,498	-	216,862	216,862
Total	\$ <u>5,565,389</u>	\$ <u>2,125,811</u>	2,383,785	\$ <u>4,509,596</u>
Less current year's expenditures and transfers to other funds:			<u>2,375,394</u>	
Net change in fund balances			8,391	
Fund balances - beginning			<u>50,766</u>	
Fund balances - ending			\$ <u>59,157</u>	

Expenditures and Transfers Out				
Grant	Prior	Current		
Authorizations	Years	Year	Total	
\$ 196,045	\$ 175,471	\$ 22,556	\$ 198,027	
196,045	133,581	40,592	174,173	
196,045	-	123,342	123,342	
130,603	129,191	-	129,191	
250,202	225,767	-	225,767	
10,000	7,412	1,163	8,575	
324,661	130,587	194,074	324,661	
1,958,215	1,179,378	746,295	1,925,673	
170,937	165,070	5,867	170,937	
1,626,365	-	994,869	994,869	
26,796	-	26,796	26,796	
2,977	-	2,977	2,977	
476,498	-	216,863	216,863	
\$ <u>5,565,389</u>	\$ <u>2,146,457</u>	\$ <u>2,375,394</u>	\$ <u>4,521,851</u>	

CITY OF DURHAM, NORTH CAROLINA

Special Revenue Fund - FEMA Grants Fund

Schedule of Revenues, Expenditures, Transfers from Other Funds and Change in Fund Balance

Compared with Authorizations From Grant Inception through June 30, 2005

	Revenues and Transfers from Other Funds			
	Grant Authorizations	Prior Years	Current Year	Total
Ice Storm 2002	11,200,000	8,097,484	25,894	8,123,378
Severe weather 2000	584,065	360,142	-	360,142
FEMA assistance to firefighters	57,400	110,831	-	110,831
	<u>11,841,465</u>	<u>8,568,457</u>	<u>25,894</u>	<u>8,594,351</u>
Hazardous material	8,900	12,768	-	12,768
HMTUSA implementation	700	1,571	-	1,571
HMEP planning grant - LEPC	200	273	-	273
Hazard mitigation grant	1,800,251	1,695,653	-	1,695,653
NCDOT pedestrian safety	2,325	59	-	59
DHS Mobile Data grant	140,000	-	98,000	98,000
DHS Fire Prevention grant	44,670	-	-	-
N C information highway	35,000	37,345	-	37,345
	<u>2,032,046</u>	<u>1,747,669</u>	<u>98,000</u>	<u>1,845,669</u>
Total before intrafund transfer	13,873,511	10,316,126	123,894	10,440,020
Intrafund transfer	-	(11,341)	-	(11,341)
Total	\$ <u>13,873,511</u>	\$ <u>10,304,785</u>	123,894	\$ <u>10,428,679</u>
Less current year's expenditures and transfers to other funds:			<u>(110,493)</u>	
Net change in fund balances			13,401	
Fund balances - beginning			<u>53,270</u>	
Fund balances - ending			\$ <u>66,671</u>	

Expenditures and Transfers to Other Funds			
Grant Authorizations	Prior Years	Current Year	Total
11,200,000	8,097,484	12,493	8,109,977
584,065	360,142	-	360,142
57,400	57,400	-	57,400
<u>11,841,465</u>	<u>8,515,026</u>	<u>12,493</u>	<u>8,527,519</u>
8,900	12,768	-	12,768
700	1,571	-	1,571
200	273	-	273
1,800,251	1,695,653	-	1,695,653
2,325	59	-	59
140,000	-	98,000	98,000
44,670	-	-	-
35,000	37,345	-	37,345
<u>2,032,046</u>	<u>1,747,669</u>	<u>98,000</u>	<u>1,845,669</u>
13,873,511	10,262,695	110,493	10,373,188
<u>-</u>	<u>(11,341)</u>	<u>-</u>	<u>(11,341)</u>
\$ <u><u>13,873,511</u></u>	\$ <u><u>10,251,354</u></u>	\$ <u><u>110,493</u></u>	\$ <u><u>10,361,847</u></u>

CITY OF DURHAM, NORTH CAROLINA

Special Revenue Fund - Public Safety Grants Fund

Schedule of Revenues, Expenditures and Transfers from Other Funds Compared

With Authorizations from Grant Inception through June 30, 2005

	Revenues & Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
Bulletproof Vests Grants-01	\$ 25,600	\$ 25,600	\$ -	\$ 25,600
Bulletproof Vests Grants-02	7,674	1,917	-	1,917
Citizen Observer Patrol	21,000	-	21,000	21,000
City Wide Domestic Violence-00	321,465	324,330	-	324,330
City Wide Domestic Violence-01	868,323	868,323	-	868,323
City Wide Domestic Violence-02	386,500	384,124	407	384,531
City Wide Domestic Violence-03	106,556	106,556	-	106,556
City Wide Domestic Violence-04	430,820	174,824	13,647	188,471
Controlled Substance Tax - 02	125,000	53,356	-	53,356
Controlled Substance Tax - 03	125,000	114,262	-	114,262
Controlled Substance Tax - 04	131,848	131,848	-	131,848
Controlled Substance Tax - 05	165,000	-	159,077	159,077
Criminal Data Sharing Initiative 2003	39,570	39,530	-	39,530
Dupont Lead Grant	100,000	100,000	-	100,000
El Centro Hispano-01/03	144,326	144,245	-	144,245
Federal Asset Forfeiture - 03	125,000	34,127	-	34,127
Federal Asset Forfeiture - 04	215,000	182,004	-	182,004
Federal Asset Forfeiture - 05	315,000	-	279,110	279,110
Federal Asset Forfeiture-01 NECD	50,000	50,000	-	50,000
Fox Family Foundation Grant	20,000	-	20,000	20,000
Juvenile Accountability Fy04	13,848	11,626	2,223	13,849
Juvenile Accountability	10,686	-	9,974	9,974
Project Safe Neighborhood Yr1	81,787	-	84,001	84,001
Project Safe Neighborhood Yr2	83,700	-	1,603	1,603
PSN Data Analyst	61,150	-	32,380	32,380
Information Integration	230,000	-	57,500	57,500
Local Law Enforcement-03	359,476	207,834	143,346	351,180
Local Law Enforcement-04	256,764	220,533	36,231	256,764
Local Law Enforcement-05	85,632	-	15,809	15,809
Miscellaneous donations	1,693	1,693	-	1,693
MOU-FBI/RDAVCFTF Initiative	90,001	34,726	75,447	110,173
MOU-Town of Chapel Hill/Halloween-03	20,000	-	17,320	17,320
MOU-Various	61,200	-	17,385	17,385
Purdue Pharma Grant	10,000	10,000	-	10,000
Wal-Mart Foundation-03	1,200	1,200	-	1,200

Expenditures & Transfers Out			
Grant Authorizations	Prior Years	Current Year	Total
\$ 25,600	\$ 25,600	\$ -	\$ 25,600
7,674	1,917	-	1,917
21,000	-	2,066	2,066
321,465	321,465	-	321,465
868,323	868,323	-	868,323
386,500	384,125	407	384,532
106,556	106,556	-	106,556
430,820	17,834	258,757	276,591
125,000	25,511	3,500	29,011
125,000	56,996	55,066	112,062
131,848	-	103,075	103,075
165,000	-	15,843	15,843
39,570	39,530	-	39,530
100,000	-	67,399	67,399
144,326	144,245	-	144,245
125,000	13,444	18,850	32,294
215,000	4,700	81,713	86,413
315,000	-	73,935	73,935
50,000	50,000	-	50,000
20,000	-	-	-
13,848	11,378	2,470	13,848
10,686	-	9,974	9,974
81,787	-	84,001	84,001
83,700	-	1,603	1,603
61,150	-	32,380	32,380
230,000	-	-	-
359,476	193,158	157,585	350,743
256,764	128,644	74,560	203,204
85,632	-	-	-
1,693	-	1,693	1,693
90,001	34,726	75,440	110,166
20,000	-	17,320	17,320
61,200	-	15,561	15,561
10,000	4,869	5,131	10,000
1,200	-	1,200	1,200

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Special Revenue Fund - Public Safety Grants Fund

Schedule of Revenues, Expenditures and Transfers from Other Funds Compared

With Authorizations from Grant Inception through June 30, 2005

	Revenues & Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
Wal-Mart Foundation-04	1,200	1,200	-	1,200
Wal-Mart Foundation-05	5,250	-	5,250	5,250
WMD Preparedness FY04	89,880	90,900	-	90,900
WMD Preparedness FY05	<u>21,739</u>	<u>-</u>	<u>19,989</u>	<u>19,989</u>
Interfund Transfers	<u>-</u>	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
Total	\$ <u><u>5,208,888</u></u>	\$ <u><u>3,314,758</u></u>	1,004,199	\$ <u><u>4,318,957</u></u>
Less current year's expenditures and transfers to other funds			<u>1,174,104</u>	
Net change in fund balance			<u>(169,905)</u>	
Fund balance - beginning			963,111	
Restatement			<u>(257,747)</u>	
Fund balance - beginning as restated			<u>705,364</u>	
Fund balance - ending			\$ <u><u>535,459</u></u>	

Exhibit B-9

Expenditures & Transfers Out			
<u>Grant</u> <u>Authorizations</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u>
1,200	-	931	931
5,250	-	1,156	1,156
89,880	89,482	-	89,482
<u>21,739</u>	<u>-</u>	<u>19,988</u>	<u>19,988</u>
<u>-</u>	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
\$ <u><u>5,208,888</u></u>	\$ <u><u>2,522,503</u></u>	\$ <u><u>1,174,104</u></u>	\$ <u><u>3,696,607</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-10

Special Revenue Fund - Downtown Revitalization Fund

Schedule of Revenues, Expenditures, Other Financing Sources

and Changes in Fund Balance Budget and Actual

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Activity</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment income	\$ 79,259	\$ 116,198	\$ 36,939
Charges for services	<u>365,700</u>	<u>170,112</u>	<u>(195,588)</u>
Total revenues	<u>444,959</u>	<u>286,310</u>	<u>(158,649)</u>
Expenditures	<u>4,701,559</u>	<u>1,153,831</u>	<u>3,547,728</u>
Excess (deficiency) of revenues over expenditures	(4,256,600)	(867,521)	3,389,079
Other financing sources			
Transfers In	1,492,200	1,492,200	-
Transfers from reserves	67,180	-	(67,180)
Appropriation from fund balance	<u>2,697,220</u>	<u>-</u>	<u>(2,697,220)</u>
Total other financing sources	<u>4,256,600</u>	<u>1,492,200</u>	<u>(2,764,400)</u>
Excess of revenues, other financing sources over expenditures	\$ <u><u>-</u></u>	624,679	\$ <u><u>624,679</u></u>
Fund balance, beginning of year		<u>3,655,472</u>	
Fund balance, end of year		\$ <u><u>4,280,151</u></u>	

CITY OF DURHAM, NORTH CAROLINA

Exhibit B-11

Special Revenue Fund - Transit Investment Fund
Schedule of Revenues, Expenditures, Other Financing Source and Use
and Changes in Fund Balance Budget and Actual
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Activity</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues: Investment income	\$ <u>95,594</u>	\$ <u>92,646</u>	\$ <u>(2,948)</u>
Other financing source (use)			
Transfers In	786,358	1,293,573	507,215
Transfers Out	<u>(881,952)</u>	<u>(881,952)</u>	<u>-</u>
Total Other Financing Source (use)	<u>(95,594)</u>	<u>411,621</u>	<u>507,215</u>
Excess of revenues, other financing source (use) over expenditures	\$ <u><u>-</u></u>	504,267	\$ <u><u>504,267</u></u>
Fund balance, beginning of year		<u>2,576,740</u>	
Fund balance, end of year		\$ <u><u>3,081,007</u></u>	

CITY OF DURHAM, NORTH CAROLINA

Special Revenue Fund - Other Special Revenue Grants Fund

Schedule of Revenues, Expenditures and Transfers from Other Funds Compared

With Authorizations from Grant Inception through June 30, 2005

	Revenues and Transfers from Other Funds			
	Grant Authorizations	Prior Years	Current Year	Total
21st Century Communication Learning Grant	\$ 10,065	\$ -	\$ 10,065	\$ 10,065
BC/BS NC Foundation	10,000	10,000	-	10,000
Bubel/Aiken Foundation	10,074	-	10,000	10,000
Community Life Center at Lyon Park	-	107,185	88,612	195,797
Community Planning Project	225,000	-	75,257	75,257
Cultural Master Plan	500,000	-	29,887	29,887
Downtown Business Assistance	792,415	-	276,452	276,452
Durham International Festival	-	21,017	-	21,017
EEOC Case Processing - FY02	62,250	62,250	-	62,250
EEOC Case Processing - FY03	59,600	58,900	-	58,900
EEOC Case Processing - FY04	62,400	54,500	-	54,500
Emergency Telephone System Fund-911 Surcharge	3,250,636	-	1,426,199	1,426,199
HUD Disaster Relief	342,902	200,881	-	200,881
HUD Economic Development Initiative - FY00	650,000	340,402	27,825	368,227
HUD Economic Development Initiative - FY01	600,000	549,450	-	549,450
HUD Economic Development Initiative - FY02	449,010	-	-	-
HUD Economic Development Initiative - FY03	250,000	92,903	157,097	250,000
HUD Economic Development Initiative - FY04	198,820	-	-	-
HUD Fair Housing Assistance Program - FY01	74,200	71,316	-	71,316
HUD Fair Housing Assistance Program - FY02	148,300	148,300	-	148,300
HUD Fair Housing Assistance Program - FY03	150,000	75,000	75,000	150,000
HUD Fair Housing Assistance Program - FY04	56,200	52,700	3,500	56,200
HUD Grant Match Funds	171,776	-	-	-
Lead Based Paint Reduction FY03	3,307,248	2,513,484	558,223	3,071,707
Lead Based Paint Reduction FY04	2,618,016	400,870	292,354	693,224
Leigh Farm Historic Site	10,600	6,791	-	6,791
Longmeadow Park Renovations	300,000	-	168,209	168,209
NCCI Performance Reporting	30,000	-	15,000	15,000
NECD Weed & Seed - FY00	125,000	125,000	-	125,000
NECD Weed & Seed - FY01	125,000	131,271	671	131,942
NECD Weed & Seed - FY01	50,000	42,864	-	42,864
NECD Weed & Seed - FY02	225,000	191,418	-	191,418
NECD Weed & Seed - FY03	275,000	311,899	63,154	375,053
NECD Weed & Seed - FY04	175,000	-	150,704	150,704
NECD Weed & Seed - FY05	225,000	-	8,114	8,114
NECD Weed & Seed - FY99	50,000	50,000	-	50,000
NECD Weed & Seed - Kids House - FY02	5,000	2,369	-	2,369
Remainder - Human Relations	292,410	297,794	7,171	304,965
SBA - Five Points Tree Planting	41,410	34,479	-	34,479
SBA - W.Main St Tree Planting	71,250	71,255	-	71,255
Sec. 104(f) & 133(b)(3)(7) Planning - FY03	691,340	615,777	111,209	726,986
Sec. 104(f) & 133(b)(3)(7) Planning - FY04	1,301,069	773,023	-	773,023
Sec. 104(f) & 133(b)(3)(7) Planning - FY05	1,620,212	-	543,401	543,401

Expenditures and Transfers To Other Funds				
Grant	Prior	Current	Total	
Authorizations	Years	Year		
\$ 10,065	\$ -	\$ -	\$ -	
10,000	170	-	170	
10,074	-	1,200	1,200	
-	-	-	-	
225,000	-	-	-	
500,000	-	2,822	2,822	
792,415	-	81,135	81,135	
-	20,000	-	20,000	
62,250	62,250	-	62,250	
59,600	28,600	1,382	29,982	
62,400	28,500	16,709	45,209	
3,250,636	-	1,428,665	1,428,665	
342,902	342,902	-	342,902	
650,000	650,000	(309,598)	340,402	
600,000	549,450	-	549,450	
449,010	327,073	-	327,073	
250,000	92,903	132,097	225,000	
198,820	-	22,248	22,248	
74,200	71,316	-	71,316	
148,300	123,943	14,365	138,308	
150,000	54,393	78,236	132,629	
56,200	11,022	14,984	26,006	
171,776	-	-	-	
3,307,248	2,428,487	24,848	2,453,335	
2,618,016	429,042	1,109,077	1,538,119	
10,600	6,791	-	6,791	
300,000	22,447	168,209	190,656	
30,000	-	4,050	4,050	
125,000	125,000	-	125,000	
125,000	124,373	-	124,373	
50,000	47,849	-	47,849	
225,000	191,418	-	191,418	
275,000	301,815	6,347	308,162	
175,000	3,318	154,682	158,000	
225,000	-	30,609	30,609	
50,000	50,000	-	50,000	
5,000	2,370	-	2,370	
292,410	226,911	32,384	259,295	
41,410	34,479	-	34,479	
71,250	71,255	-	71,255	
691,340	362,857	183	363,040	
1,301,069	773,023	155,219	928,242	
1,620,212	-	496,503	496,503	

Continued on next page.

CITY OF DURHAM, NORTH CAROLINA

Special Revenue Fund - Other Special Revenue Grants Fund

Schedule of Revenues, Expenditures and Transfers from Other Funds Compared

With Authorizations from Grant Inception through June 30, 2005

	Revenues and Transfers from Other Funds			
	Grant Authorizations	Prior Years	Current Year	Total
Title V- P & R - Durham Afterschool - FY01	\$ 180,000	\$ 178,408	\$ -	\$ 178,408
Title V- P & R - Durham Afterschool - FY02	112,500	110,462	-	110,462
Title V- P & R - Durham Afterschool - FY03	122,725	122,903	-	122,903
Title V- P & R - Durham Afterschool - FY04	97,795	21,263	58,263	79,526
Transportation Intern Grant - FY03	31,701	31,702	-	31,702
Transportation Intern Grant - FY04	31,701	17,437	14,264	31,701
Urban & Community Forestry - Website	3,079	-	-	-
Urban Development Pedestrian Grant	<u>37,500</u>			<u>-</u>
	\$ <u>20,229,204</u>	\$ <u>7,895,273</u>	4,170,631	\$ <u>12,065,904</u>
Less current year's expenditures and transfers to other funds			<u>3,736,638</u>	
Net change in fund balance			<u>433,993</u>	
Fund balance - beginning			410,674	
Restatement			<u>(97,988)</u>	
Fund balance - beginning as restated			<u>312,686</u>	
Fund balance - ending			\$ <u>746,679</u>	

Expenditures and Transfers To Other Funds			
Grant Authorizations	Prior Years	Current Year	Total
\$ 180,000	\$ 178,408	\$ -	\$ 178,408
112,500	107,865	-	107,865
122,725	120,316	-	120,316
97,795	28,379	58,263	86,642
31,701	28,567	-	28,567
31,701	24,117	9,019	33,136
3,079	-	3,000	3,000
<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>20,229,204</u>	\$ <u>8,051,609</u>	\$ <u>3,736,638</u>	\$ <u>11,788,247</u>

CITY OF DURHAM, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2005

	Recreation And General Capital Projects	Street Projects	Sidewalk Projects	General Projects
ASSETS				
Cash and cash equivalents/investments	\$ 475,575	\$ 386,424	\$ 28,413	\$ 1,964
Receivables				
Accounts receivable	-	-	-	1,757,779
Accrued investment income	<u>4,624</u>	<u>17,419</u>	<u>92</u>	<u>2,275</u>
Total receivables	4,624	17,419	92	1,760,054
Due from government agencies	53,007	39,680	-	124,198
Due from other funds	2,178,000	1,100,000	-	-
Restricted cash and cash equivalents/investments	<u>2,180,259</u>	<u>7,227,354</u>	<u>218,145</u>	<u>3,257,757</u>
Total assets	\$ <u>4,891,465</u>	\$ <u>8,770,877</u>	\$ <u>246,650</u>	\$ <u>5,143,973</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 495,463	\$ 2,335,088	\$ 37,263	\$ 724,485
Due to other funds	<u>-</u>	<u>-</u>	<u>1,800,000</u>	<u>178,000</u>
Total liabilities	<u>495,463</u>	<u>2,335,088</u>	<u>1,837,263</u>	<u>902,485</u>
Fund Balances				
Reserved for:				
Encumbrances	2,510,750	15,476,829	851,603	1,895,378
State Statute	2,235,631	1,157,099	92	1,884,252
Unreserved (deficit)	<u>(350,379)</u>	<u>(10,198,139)</u>	<u>(2,442,308)</u>	<u>461,858</u>
Total fund balances	<u>4,396,002</u>	<u>6,435,789</u>	<u>(1,590,613)</u>	<u>4,241,488</u>
Total liabilities and fund balances	\$ <u>4,891,465</u>	\$ <u>8,770,877</u>	\$ <u>246,650</u>	\$ <u>5,143,973</u>

Exhibit B-13

<u>Municipal Buildings Projects</u>	<u>Eno Greenway Project</u>	<u>Impact Fee</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 1,828,435	\$ 201,279	\$ 16,145,518	\$ 19,067,608
-	-	-	1,757,779
<u>1,050</u>	<u>1,177</u>	<u>93,179</u>	<u>119,816</u>
1,050	1,177	93,179	1,877,595
84,412	-	-	301,297
-	-	-	3,278,000
<u>15,187,274</u>	<u>-</u>	<u>-</u>	<u>28,070,789</u>
\$ <u><u>17,101,171</u></u>	\$ <u><u>202,456</u></u>	\$ <u><u>16,238,697</u></u>	\$ <u><u>52,595,289</u></u>
\$ 943,109	\$ 1,936	\$ 14,310	\$ 4,551,654
-	-	-	1,978,000
<u>943,109</u>	<u>1,936</u>	<u>14,310</u>	<u>6,529,654</u>
4,042,020	40,975	-	24,817,555
85,462	1,177	93,179	5,456,892
<u>12,030,580</u>	<u>158,368</u>	<u>16,131,208</u>	<u>15,791,188</u>
<u>16,158,062</u>	<u>200,520</u>	<u>16,224,387</u>	<u>46,065,635</u>
\$ <u><u>17,101,171</u></u>	\$ <u><u>202,456</u></u>	\$ <u><u>16,238,697</u></u>	\$ <u><u>52,595,289</u></u>

CITY OF DURHAM, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2005

	Recreation And General Capital Projects	Street Projects	Sidewalk Projects	General Projects
REVENUES				
Intergovernmental revenues	\$ -	\$ 68,660	\$ -	\$ 1,757,779
Investment and rental income	62,986	246,116	5,502	24,473
Charges for services	316,681	-	12,265	-
Sale of property and miscellaneous	212,973	-	-	-
Total revenues	<u>592,640</u>	<u>314,776</u>	<u>17,767</u>	<u>1,782,252</u>
EXPENDITURES				
Current				
General services	-	-	-	1,929,718
Recreation	4,980,952	-	-	-
Streets and highways	-	5,304,315	1,939,528	-
Debt service				
Principal	-	465,871	-	-
Total expenditures	<u>4,980,952</u>	<u>5,770,186</u>	<u>1,939,528</u>	<u>1,929,718</u>
Excess (deficiency) of revenues over expenditures	<u>(4,388,312)</u>	<u>(5,455,410)</u>	<u>(1,921,761)</u>	<u>(147,466)</u>
OTHER FINANCING SOURCE (USE)				
Capital related debt issued	335,000	-	-	5,222,000
Transfers in	2,677,042	1,517,150	100,000	280,000
Transfers out	-	-	-	-
Total other financing source (use)	<u>3,012,042</u>	<u>1,517,150</u>	<u>100,000</u>	<u>5,502,000</u>
Net change in fund balances	(1,376,270)	(3,938,260)	(1,821,761)	5,354,534
Fund balances - beginning	<u>5,772,272</u>	<u>10,374,049</u>	<u>231,148</u>	<u>(1,113,046)</u>
Fund balances - ending	<u>\$ 4,396,002</u>	<u>\$ 6,435,789</u>	<u>\$ (1,590,613)</u>	<u>\$ 4,241,488</u>

Exhibit B-14

<u>Municipal Buildings Projects</u>	<u>Eno Greenway Project</u>	<u>Impact Fee</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ -	\$ 1,826,439
47,258	6,924	548,406	941,665
-	-	3,472,645	3,801,591
-	-	-	212,973
<u>47,258</u>	<u>6,924</u>	<u>4,021,051</u>	<u>6,782,668</u>
9,639,543	-	-	11,569,261
-	42,766	-	5,023,718
-	-	88,488	7,332,331
-	-	-	465,871
<u>9,639,543</u>	<u>42,766</u>	<u>88,488</u>	<u>24,391,181</u>
<u>(9,592,285)</u>	<u>(35,842)</u>	<u>3,932,563</u>	<u>(17,608,513)</u>
23,645,392	-	-	29,202,392
-	-	-	4,574,192
-	-	(2,211,556)	(2,211,556)
<u>23,645,392</u>	<u>-</u>	<u>(2,211,556)</u>	<u>31,565,028</u>
14,053,107	(35,842)	1,721,007	13,956,515
2,104,955	236,362	14,503,380	32,109,120
<u>\$ 16,158,062</u>	<u>\$ 200,520</u>	<u>\$ 16,224,387</u>	<u>\$ 46,065,635</u>

CITY OF DURHAM, NORTH CAROLINA

Consolidated General Capital Projects Fund

Schedule of Revenues, Expenditures, Transfers and Other Financing Sources and Uses Compared with Authorizations

From Project Inception and Through June 30, 2005

	Revenues and Transfers from Other Funds			
	Authorizations	Prior Years	Current Year	Total
Parks and Recreation				
C.M. Herndon Park	\$ 3,579,684	\$ 2,828,487	\$ 618,898	\$ 3,447,385
Campus Hill-I.R. Holmes Center	130,400	-	-	-
Cook Road Park	820,000	579,500	-	579,500
Bethesda Park	120,000	90,196	(440)	89,756
Vintage Hill Park (Little River Park)	322,000	256,774	26,951	283,725
Leigh Farm Park	200,000	-	-	-
Lyon Park Family Life Center	6,750,000	6,750,000	-	6,750,000
NECD Recreation Center	100,000	-	26,500	26,500
Open space and greenway preservation	7,138,187	5,426,520	-	5,426,520
Park renovations	6,570,606	4,679,510	733,527	5,413,037
Playground renovations	3,161,275	2,044,653	-	2,044,653
Pool replacement	1,473,904	1,083,189	-	1,083,189
Recreation center and ball field renovatio	887,954	550,982	-	550,982
School lighting and storage improvement	666,149	424,389	95,611	520,000
Twin Lakes Park	420,000	-	420,000	420,000
Walltown Recreation Center study	325,000	325,000	-	325,000
West Chapel Hill Road Park	591,473	434,170	146,686	580,856
American Tobacco Trail-Morehead to				
Cornwallis	5,917,250	4,192,042	295	4,192,337
Downtown Trail	906,695	206,453	164,202	370,655
USA Baseball	334,406	-	335,525	335,525
Parks and recreation subdivision	-	851,343	221,032	1,072,375
Interfund pooled earnings distribution	-	2,518,788	815,895	3,334,683
Total parks and recreation	<u>40,414,983</u>	<u>33,241,996</u>	<u>3,604,682</u>	<u>36,846,678</u>
Street Projects				
Alston Avenue extension	900,000	-	-	-
Apex Street Bridge	100,000	-	100,000	100,000
Carver Street extension	2,500,000	-	-	-
Fayetteville Road widening	8,102,638	8,832,849	(730,212)	8,102,637
Fayetteville Road widening phase II	692,400	-	-	-
Martin Luther King, Jr. Parkway II	15,767,366	12,230,408	1,497,362	13,727,770
NC 147/bicycle/pedestrian bridge	2,000,000	-	-	-
Federal and State matching projects	5,389,568	2,119,347	193,667	2,313,014
Garrett Road extension	700,000	-	-	-
Stadium Drive extension	2,767,000	2,442,218	(203,100)	2,239,118
Foster/Corcoran				
Center City Plaza realignment	11,735,109	7,163,595	-	7,163,595
Parish Street redevelopment	1,060,000	859,922	219	860,141
Road resurfacing projects	650,000	-	650,000	650,000
Street paving beginning FY97	9,894,572	9,723,010	217,175	9,940,185
Traffic calming project	1,010,000	1,014,970	5,815	1,020,785
Traffic signal system upgrade	2,568,500	2,352,198	-	2,352,198
Thoroughfare right-of-way and construction	3,966,438	2,838,060	13,316	2,851,376
Interfund pooled earnings distribution	-	37,080	87,684	124,764
Total street projects	<u>69,803,591</u>	<u>49,613,657</u>	<u>1,831,926</u>	<u>51,445,583</u>

Expenditures and Transfers to Other Funds			
Authorizations	Prior Years	Current Year	Total
\$ 3,579,684	\$ 546,998	\$ 1,389,884	\$ 1,936,882
130,400	-	23,707	23,707
820,000	365,217	447,449	812,666
120,000	18,090	59,554	77,644
322,000	257,087	69	257,156
200,000	-	99,419	99,419
6,750,000	6,724,604	1,465	6,726,069
100,000	-	23,115	23,115
7,138,187	4,743,970	69,581	4,813,551
6,570,606	4,589,589	641,533	5,231,122
3,161,275	1,948,575	214,025	2,162,600
1,473,904	1,042,743	234,688	1,277,431
887,954	501,549	233,203	734,752
666,149	437,281	153,914	591,195
420,000	-	420,000	420,000
325,000	25,206	-	25,206
591,473	268,613	19,615	288,228
			-
5,917,250	4,175,698	65,823	4,241,521
906,695	38,250	743,572	781,822
334,406	12,942	140,336	153,278
-	204,051	-	204,051
-	2,838,507	-	2,838,507
<u>40,414,983</u>	<u>28,738,970</u>	<u>4,980,952</u>	<u>33,719,922</u>
900,000	-	-	-
100,000	-	-	-
2,500,000	-	-	-
8,102,638	5,752,549	1,397,391	7,149,940
692,400	-	-	-
15,767,366	12,050,506	1,566,629	13,617,135
2,000,000	-	-	-
5,389,568	2,409,643	147,744	2,557,387
700,000	-	5,880	5,880
2,767,000	1,778,506	221,237	1,999,743
11,735,109	1,109,116	1,506,712	2,615,828
1,060,000	850,363	3,400	853,763
650,000	-	-	-
9,894,572	8,943,259	411,754	9,355,013
1,010,000	661,662	207,359	869,021
2,568,500	2,454,831	-	2,454,831
3,966,438	2,600,034	302,080	2,902,114
-	12,970	-	12,970
<u>69,803,591</u>	<u>38,623,439</u>	<u>5,770,186</u>	<u>44,393,625</u>

Continued on next page

CITY OF DURHAM, NORTH CAROLINA

Consolidated General Capital Projects Fund

Schedule of Revenues, Expenditures, Transfers and Other Financing Sources and Uses Compared with Authorizations

From Project Inception and Through June 30, 2005

	Revenues and Transfers from Other Funds			
	Authorizations	Prior Years	Current Year	Total
Sidewalk projects				
Sidewalk repair and replacement	\$ 1,707,600	\$ 1,561,300	\$ 105,502	\$ 1,666,802
New sidewalk construction	4,259,000	1,830,277	12,265	1,842,542
New Sidewalks - 2/3 bond	250,000	250,000	-	250,000
Interfund pooled earnings distribution	-	13,977	-	13,977
Total Sidewalk Projects	<u>6,216,600</u>	<u>3,655,554</u>	<u>117,767</u>	<u>3,773,321</u>
General capital projects				
ADA compliance (Parks)	904,991	145,400	-	145,400
Cemetery accounting and records system	100,000	104,002	-	104,002
Centre Parking Deck Repairs	422,000	-	422,000	422,000
Civic Center	403,500	-	-	-
Enterprise Resource Planning System	5,790,000	-	4,000,000	4,000,000
Deferred maintenance	375,000	150,000	-	150,000
Fleet Maintenance tire storage facility	330,593	119,993	-	119,993
American Tobacco Parking Facilities	15,362,992	13,618,845	1,757,779	15,376,624
Workflow automation	863,885	-	800,000	800,000
Neighborhood development	250,000	-	250,000	250,000
Solid Waste Transfer Station study	30,000	-	30,000	30,000
Interfund pooled earnings distribution	-	34,006	24,473	58,479
Total general capital projects	<u>24,832,961</u>	<u>14,172,246</u>	<u>7,284,252</u>	<u>21,456,498</u>
Municipal buildings				
911 radio equipment upgrade	27,500	-	-	-
Radio replacement	1,000,000	500,000	1,000,000	1,500,000
Radio Infrastructure upgrade	7,920,000	-	7,920,000	7,920,000
Police Headquarters Improvements	2,546,018	-	2,500,000	2,500,000
Durham Arts Council Building	1,132,070	410,058	628,000	1,038,058
Carolina Theatre	3,269,714	40,000	3,370,000	3,410,000
City Hall office space expansion	5,755,300	5,833,797	-	5,833,797
City Hall HVAC & energy efficiency upg	1,361,000	260,000	1,051,000	1,311,000
Broadway facility acquisition & Retrofit	2,407,276	-	3,309,380	3,309,380
Multi-Modal Transportation Center	13,435,901	3,566,373	21,840	3,588,213
Fire Station #8	1,450,000	36,308	1,450,000	1,486,308
Fire Station #16	2,430,500	-	2,430,000	2,430,000
Interfund pooled earnings distribution	-	45,705	12,430	58,135
Total municipal buildings	<u>42,735,279</u>	<u>10,692,241</u>	<u>23,692,650</u>	<u>34,384,891</u>
Eno Greenway				
Eno Greenway	1,103,427	278,736	-	278,736
Interfund pooled earnings distribution	-	6,700	6,924	13,624
Total Eno Greenway	<u>1,103,427</u>	<u>285,436</u>	<u>6,924</u>	<u>292,360</u>
Impact Fees				
2004 Impact fees	7,072,270	7,858,638	-	7,858,638
2005 Impact fees	3,792,580	-	4,021,051	4,021,051
Total Impact Fees	<u>10,864,850</u>	<u>7,858,638</u>	<u>4,021,051</u>	<u>11,879,689</u>
Total capital projects funds			\$ <u>40,559,252</u>	

Expenditures and Transfers to Other Funds

Authorizations	Prior Years	Current Year	Total
\$ 1,707,600	\$ 1,366,327	\$ 78,452	\$ 1,444,779
4,259,000	1,845,259	1,689,730	3,534,989
250,000	-	171,346	171,346
-	14,541	-	14,541
<u>6,216,600</u>	<u>3,226,127</u>	<u>1,939,528</u>	<u>5,165,655</u>
904,991	-	161	161
100,000	87,275	12,325	99,600
422,000	-	-	-
403,500	-	-	-
5,790,000	148,866	1,150,416	1,299,282
375,000	352,469	22,210	374,679
330,593	303,417	(4,268)	299,149
15,362,992	14,919,995	373,448	15,293,443
863,885	333,342	353,350	686,692
250,000	-	-	-
30,000	-	22,076	22,076
-	24,025	-	24,025
<u>24,832,961</u>	<u>16,169,389</u>	<u>1,929,718</u>	<u>18,099,107</u>
27,500	-	-	-
1,000,000	-	999,724	999,724
7,920,000	-	5,402,000	5,402,000
2,546,018	-	-	-
1,132,070	465,286	10,890	476,176
3,269,714	195,740	15,246	210,986
5,755,300	3,604,119	77,924	3,682,043
1,361,000	645,897	(9,910)	635,987
2,407,276	1,042,435	2,311	1,044,746
13,435,901	2,781,004	1,954,615	4,735,619
1,450,000	280,387	991,623	1,272,010
2,430,500	5,380	195,120	200,500
-	28,354	-	28,354
<u>42,735,279</u>	<u>9,048,602</u>	<u>9,639,543</u>	<u>18,688,145</u>
1,103,427	39,595	42,766	82,361
-	6,700	-	6,700
<u>1,103,427</u>	<u>46,295</u>	<u>42,766</u>	<u>89,061</u>
7,072,270	7,960,447	-	7,960,447
3,792,580	-	2,300,044	2,300,044
<u>10,864,850</u>	<u>7,960,447</u>	<u>2,300,044</u>	<u>10,260,491</u>
\$ <u><u>26,602,737</u></u>			

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CITY OF DURHAM, NORTH CAROLINA

Exhibit C-1

Water and Sewer Operating Fund

Schedule of Revenues and Transfers - Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues			
Water and sewer services			
Water and sewer services	\$ 45,949,068	\$ 46,788,114	\$ (839,046)
Sewer surcharge	101,566	142,226	(40,660)
Industrial monitoring	13,990	14,106	(116)
Suspended solids	3,532	8,323	(4,791)
Total water and sewer services	<u>46,068,156</u>	<u>46,952,769</u>	<u>(884,613)</u>
Other operating revenues			
Fire protection - City	181,800	176,868	4,932
Fire protection - County	69,060	24,970	44,090
Water line connection fees	409,038	357,000	52,038
Sewer line connection fees	262,900	234,600	28,300
Septic tank disposal	51,560	64,505	(12,945)
Water and sewer permits	50,750	57,242	(6,492)
Water analysis tests	94,160	-	94,160
Testing service	9,880	6,242	3,638
Construction services	50,748	305,000	(254,252)
Engineering inspection fee	364,913	205,000	159,913
Total other operating revenues	<u>1,544,809</u>	<u>1,431,427</u>	<u>113,382</u>
Total operating revenues	<u>47,612,965</u>	<u>48,384,196</u>	<u>(771,231)</u>
Investment and rental income			
Investment income	1,303,673	1,886,800	(583,127)
Interest on assessments	223,233	257,413	(34,180)
Rent - nonoperating property	165,040	200,000	(34,960)
Total investment and rental income	<u>1,691,946</u>	<u>2,344,213</u>	<u>(652,267)</u>
Other revenues and transfers			
Appropriated fund balance	-	3,148,395	(3,148,395)
Assessments and frontage	1,667,578	1,447,983	219,595
Disposals of property and equipment	49,208	-	49,208
Miscellaneous	419,063	35,020	384,043
Transfers from other funds	4,710,992	4,806,003	(95,011)
Transfers from reserves	-	2,272,206	(2,272,206)
Total other revenues and transfers	<u>6,846,841</u>	<u>11,709,607</u>	<u>(4,862,766)</u>
Total revenues and transfers	<u>\$ 56,151,752</u>	<u>\$ 62,438,016</u>	<u>\$ (6,286,264)</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-2

Water and Sewer Operating Fund

Schedule of Expenditures and Transfers - Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Expenditures			
Administration			
Director	\$ 1,666,631	\$ 2,372,286	\$ 705,655
Utility customer service	1,357,351	1,449,425	92,074
Total administration	<u>3,023,982</u>	<u>3,821,711</u>	<u>797,729</u>
Environmental Resources			
Water supply and treatment			
Administrative	-	-	-
Labs	629,444	683,948	54,504
Water treatment plants	<u>4,370,114</u>	<u>6,083,730</u>	<u>1,713,616</u>
Total water supply and treatment	<u>4,999,558</u>	<u>6,767,678</u>	<u>1,768,120</u>
Wastewater treatment			
North Durham Water Reclamation Facility	2,528,060	3,051,597	523,537
South Durham Water Reclamation Facility	1,940,406	2,385,484	445,078
County sewer treatment service	<u>1,386,649</u>	<u>2,700,000</u>	<u>1,313,351</u>
Total wastewater treatment	<u>5,855,115</u>	<u>8,137,081</u>	<u>2,281,966</u>
Plant maintenance	<u>2,934,419</u>	<u>3,466,387</u>	<u>531,968</u>
Total environmental resources	<u>16,813,074</u>	<u>22,192,857</u>	<u>5,379,783</u>
Water and Sewer Systems Development			
Administration	48,070	50,807	2,737
Systems engineering	1,605,274	1,888,219	282,945
Systems maintenance and construction	5,494,780	6,270,652	775,872
Meter maintenance	<u>1,019,230</u>	<u>1,768,944</u>	<u>749,714</u>
Total water and sewer systems development	<u>8,167,354</u>	<u>9,978,622</u>	<u>1,811,268</u>
Non-Departmental Charges			
General and administrative	<u>5,684,342</u>	<u>5,733,490</u>	<u>49,148</u>
Fleet replacement	<u>161,602</u>	<u>256,961</u>	<u>95,359</u>
Debt service			
Principal bonds	8,443,574	8,443,573	(1)
Loan from State	885,000	885,000	-
Durham County	682,885	500,000	(182,885)
Interest, fiscal charges, etc. - bonds and loans	<u>5,968,990</u>	<u>7,964,831</u>	<u>1,995,841</u>
Total debt service	<u>15,980,449</u>	<u>17,793,404</u>	<u>1,812,955</u>
Total non-departmental charges	<u>21,826,393</u>	<u>23,783,855</u>	<u>1,957,462</u>
Total expenditures	<u>46,806,821</u>	<u>55,955,334</u>	<u>9,148,513</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-2

Water and Sewer Operating Fund

Schedule of Expenditures and Transfers - Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (Continued)			
Transfers to other funds			
General Fund	\$ 234,598	\$ 234,598	\$ -
Water and Sewer Construction Fund	6,026,084	6,026,084	-
Risk Retention Fund	<u>222,000</u>	<u>222,000</u>	<u>-</u>
Total transfers to other funds	<u>6,482,682</u>	<u>6,482,682</u>	<u>-</u>
 Total expenditures and transfers	 \$ <u>53,289,503</u>	 \$ <u>62,438,016</u>	 \$ <u>9,148,513</u>

CITY OF DURHAM, NORTH CAROLINA

Water and Sewer Utility Construction Fund

Schedule of Revenues, Expenditures, Transfers and Other Financing Sources

Compared with Authorizations (Modified Accrual Basis)

From Project Inception and through the Year Ended June 30, 2005

	Revenues and Transfers from Other Funds			
	Authorizations	Prior Years	Current Year	Total
Water Construction Projects				
Water extensions and improvements	\$ 18,128,739	\$ 13,621,880	\$ 1,000,000	\$ 14,621,880
Water supply facilities security	450,000	-	-	-
Southern reinforcing main	900,000	500,000	-	500,000
Two-inch water line replacement	2,088,000	2,388,000	(300,000)	2,088,000
Raleigh emergency water interconnection	750,000	-	-	-
Future water supply	4,269,159	2,936,854	28,800	2,965,654
Williams Water Treatment Plant rehabilitation	15,785,500	15,785,500	-	15,785,500
Brown Water Treatment Plant Expansion	6,431,282	5,931,282	-	5,931,282
Ellis Road tank painting	500,000	-	-	-
Little River Dam repairs	400,000	-	-	-
Lake Michie Dam renovations	900,000	458,000	-	458,000
Finished water storage	789,473	389,473	-	389,473
Asbestos cement line replacement	750,000	1,200,000	(700,000)	500,000
Teer Quarry water storage development	200,000	200,000	-	200,000
Total water construction projects	<u>52,342,153</u>	<u>43,410,989</u>	<u>28,800</u>	<u>43,439,789</u>
Sewer Construction Projects				
Sewer extensions and improvements fy99	9,632,554	6,013,355	-	6,013,355
Sewer system rehabilitation-beg. fy99	15,523,593	11,870,744	9,925	11,880,669
North Durham Water Reclamation-Plant A	2,174,973	864,930	-	864,930
South Durham-Engine Replacement	700,000	300,000	-	300,000
Sewer pump station removal	1,177,393	1,063,660	-	1,063,660
Ultra-violet treatment capabilities	100,000	-	-	-
South Durham sludge pad cover	500,000	-	-	-
Total sewer construction projects	<u>29,808,513</u>	<u>20,112,689</u>	<u>9,925</u>	<u>20,122,614</u>
Water construction fund		9,183,838	7,616,361	16,800,199
Total construction projects	<u>\$ 82,150,666</u>	<u>\$ 72,707,516</u>	<u>\$ 7,655,086</u>	<u>\$ 80,362,602</u>

Exhibit C-3

Expenditures and Transfers to Other Funds			
Authorizations	Prior Years	Current Year	Total
\$ 18,128,739	\$ 12,627,677	\$ 1,104,928	\$ 13,732,605
450,000	-	-	-
900,000	-	-	-
2,088,000	1,796,881	-	1,796,881
750,000	-	-	-
4,269,159	3,239,067	1,873	3,240,940
15,785,500	15,273,537	60,334	15,333,871
6,431,282	5,858,023	-	5,858,023
500,000	-	-	-
400,000	-	-	-
900,000	280,894	92,775	373,669
789,473	654,759	-	654,759
750,000	496,425	-	496,425
200,000	59,979	24,161	84,140
<u>52,342,153</u>	<u>40,287,242</u>	<u>1,284,071</u>	<u>41,571,313</u>
9,632,554	7,233,722	511,636	7,745,358
15,523,593	8,794,859	1,355,961	10,150,820
2,174,973	341,968	1,128,471	1,470,439
700,000	295,691	50	295,741
1,177,393	900,612	911	901,523
100,000	-	-	-
500,000	-	5,238	5,238
<u>29,808,513</u>	<u>17,566,852</u>	<u>3,002,267</u>	<u>20,569,119</u>
-	132,414	-	132,414
<u>\$ 82,150,666</u>	<u>\$ 57,986,508</u>	<u>\$ 4,286,338</u>	<u>\$ 62,272,846</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-4

Water and Sewer Capital Facilities Fee Fund

Schedule of Revenues and Other Financing Use Compared to Budget (Modified Accrual Basis)

For the Year Ended June 30, 2005

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Investment income	\$ 37,757	\$ 155,612	\$ (117,855)
Water impact fees	3,718,095	2,600,724	1,117,371
Sewer impact fees	<u>1,883,868</u>	<u>1,444,343</u>	<u>439,525</u>
Total revenues	<u>5,639,720</u>	<u>4,200,679</u>	<u>1,439,041</u>
Other financing use			
Transfers to other funds	<u>4,105,668</u>	<u>4,200,679</u>	<u>95,011</u>
Excess (deficiency) of revenues over other financing use	\$ <u><u>1,534,052</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,534,052</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-5

Water and Sewer Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2005

Revenues and other financing sources

Operating revenues	\$ 47,612,965
Non-operating revenues	3,827,795
Other financing sources	4,710,992
Construction fund	7,655,086
Capital facilities revenues	<u>5,639,720</u>
Total revenues	69,446,558

Expenditures

Operating fund	53,289,503
Construction fund	4,286,338
Capital facilities expenditures	<u>4,105,668</u>
Total expenditures	61,681,509

Excess (deficiency) of revenues and other financing sources over
expenditures and other financing uses

7,765,049

Reconciling items:

Payment of debt principal		10,076,954
Capital asset purchases		
Operating fund	\$ 869,286	
Construction fund	<u>3,573,211</u>	4,442,497
Capital asset disposals		(449,215)
Loans repaid		(59,934)
Advance to other funds repaid		(217,186)
Adjustment for unbilled receivables		308,650
Adjustment of allowance for bad debts		(1,205,961)
Accrued interest payable adjustment		(1,582,352)
Amortization of discount		170,419
Depreciation		<u>(7,527,789)</u>

Change in net assets - Full accrual basis

\$ 11,721,132

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-6

Parking Facilities Fund

Schedule of Revenues, Expenditures and Other Financing Sources

Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 1,303,155	\$ 1,392,585	\$ (89,430)
Nonoperating revenues			
Investment income	9,417	14,862	(5,445)
Miscellaneous	10,272	-	10,272
Total nonoperating revenues	19,689	14,862	4,827
Total revenues	1,322,844	1,407,447	(84,603)
Expenditures			
Operating expenditures			
Off-street parking			
Personal services	51,801	50,406	(1,395)
Operating	904,711	1,006,642	101,931
Special event parking			
Personal services	13,931	23,484	9,553
Total operating expenditures	970,443	1,080,532	110,089
Non-departmental general and administrative	16,750	16,750	-
Debt Service			
Certificates of participation			
Principal	725,000	725,000	-
Interest and fiscal charges	273,016	273,000	(16)
Total debt service	998,016	998,000	(16)
Total expenditures	1,985,209	2,095,282	110,073
(Deficiency) of revenues over expenditures	(662,365)	(687,835)	25,470
Other financing sources			
Transfers from reserves	-	23,144	(23,144)
Transfers from other funds	664,691	664,691	-
Total other financing sources	664,691	687,835	(23,144)
Excess (deficiency) of revenues over expenditures and other financing sources	\$ 2,326	\$ -	\$ 2,326

CITY OF DURHAM, NORTH CAROLINA

Parking Facilities Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2005

Exhibit C-7

Revenues	\$ 1,322,844
Other financing sources	<u>664,691</u>
Total revenues	<u>1,987,535</u>
 Expenditures	 <u>1,985,209</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 2,326
 Reconciling items:	
Payment of debt principal	725,000
Capital asset disposals	(5,068)
Accrued interest payable adjustment	6,153
Amortization of discount	(12,203)
Depreciation	<u>(260,452)</u>
 Change in net assets - full accrual basis	 \$ <u><u>455,756</u></u>

CITY OF DURHAM, NORTH CAROLINA

Transit Grants Fund

Schedule of Revenues and Transfers In and Expenditures and Transfers Out Compared

With Authorizations (Modified Accrual Basis)

From Grant Inception through June 30, 2005

	Revenues and Transfers In			
	Grant Authorizations	Prior Years	Current Year	Total
Project #02-03-0053				
FTA Section 3 - capital	\$ 6,000,000	\$ 6,285,849	\$ -	\$ 6,285,849
Project #00-03-0043				
FTA Section 3 - capital	11,595,837	3,428,106	4,474,507	7,902,613
Project#03-08-002				
FTA Section 8 - planning	133,615	105,735	-	105,735
Project#03-08-002				
FTA Section 8 - planning	128,398	121,897	-	121,897
Project#02-09-005				
NC-90-X305				
2003 Section 9 - planning	241,958	248,024	-	248,024
2003 Section 9 - capital	7,413,131	6,279,509	282,354	6,561,863
Project#01-09-005				
NC-90-X299				
2002 Section 9 - capital	2,352,322	2,321,669	-	2,321,669
NC-90-X346				
2004 Section 9 - planning	234,928	213,474	-	213,474
2004 Section 9 - capital	3,127,165	2,893,650	4,619	2,898,269
2005 FTA Section 8 - planning	178,184	-	66,011	66,011
2005 FTA Section 9 - planning	311,206	-	252,025	252,025
2005 FTA Section 9 - capital	3,112,948	-	2,797,048	2,797,048
Total transit grants	\$ <u>34,829,692</u>	\$ <u>21,897,913</u>	\$ <u>7,876,564</u>	\$ <u>29,774,477</u>

Expenditures and Transfers Out			
Grant Authorizations	Prior Years	Current Year	Total
\$ 6,000,000	\$ 6,056,726	\$ -	\$ 6,056,726
11,595,837	3,641,398	4,835,313	8,476,711
133,615	122,192	2,809	125,001
128,398	100,116	22,377	122,493
241,958	146,971	-	146,971
7,413,131	5,694,405	311,794	6,006,199
2,352,322	2,312,033	-	2,312,033
234,928	273,059	-	273,059
3,127,165	2,267,499	5,774	2,273,273
178,184	-	82,646	82,646
311,206	-	251,401	251,401
3,112,948	-	2,726,704	2,726,704
\$ <u>34,829,692</u>	\$ <u>20,614,399</u>	\$ <u>8,238,818</u>	\$ <u>28,853,217</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-9

Transit Operations Fund

Schedule of Revenues, Expenditures and Other Financing Sources (Uses)

Compared to Budget (Modified Accrual Basis)

For the Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 2,182,497	\$ 2,231,155	\$ (48,658)
Nonoperating revenues			
Licenses and permits	780,382	920,833	(140,451)
Intergovernmental revenue	2,424,972	3,224,250	(799,278)
Investment income	80,188	136,791	(56,603)
Miscellaneous	97,422	227,000	(129,578)
Total nonoperating revenues	3,382,964	4,508,874	(1,125,910)
Total revenues	5,565,461	6,740,029	(1,174,568)
Expenditures			
Operating expenditures			
Personal services	78,820	72,945	(5,875)
Operating expenditures	1,641,949	1,850,478	208,529
Transit services	8,973,507	8,760,446	(213,061)
Capital outlay	53,703	97,749	44,046
Non-departmental administration	166,300	166,300	-
Debt Service			
Principal	56,009	56,009	-
Interest and fiscal charges	18,756	18,756	-
Total operating expenditures	10,989,044	11,022,683	33,639
Excess (deficiency) of revenues over expenditures	(5,423,583)	(4,282,654)	(1,140,929)
Other financing sources (uses)			
Transfers from reserves	-	918,409	(918,409)
Appropriation from fund balance	-	1,010,214	(1,010,214)
Transfers from other funds	3,440,629	4,734,202	(1,293,573)
Appropriation not authorized	-	(193,353)	193,353
Transfers to other funds	(2,186,818)	(2,186,818)	-
Total other financing sources (uses)	1,253,811	4,282,654	(3,028,843)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (4,169,772)	\$ -	\$ (4,169,772)

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-10

Transit Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2005

Revenues and other financing sources

Operating revenues	\$ 2,182,497
Non-operating revenues	3,382,964
Other financing sources	3,440,629
Grant fund	<u>7,876,564</u>
Total revenues	<u>16,882,654</u>

Expenditures and other financing uses

Operating fund	13,175,862
Grant fund	<u>8,238,818</u>
Total expenditures	<u>21,414,680</u>

Excess (deficiency) of revenues and other financing sources over
expenditures and other financing uses

(4,532,026)

Reconciling items:

Payment of debt principal		56,009
Capital asset purchases		
Operating fund	\$ 53,703	
Grant fund	<u>5,126,238</u>	5,179,941
Capital asset disposals		(24,283)
Accrued interest payable adjustment		(49)
Amortization of discount		2,233
Depreciation		<u>(1,184,955)</u>

Change in net assets - Full accrual basis

\$ (503,130)

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-11

Solid Waste Disposal Operating Fund

Schedule of Revenues, Expenditures and Other Financing Sources

Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 7,207,981	\$ 6,790,000	\$ 417,981
Nonoperating revenues			
Investment income	97,549	101,896	(4,347)
Miscellaneous	163,159	95,000	68,159
Total nonoperating revenues	260,708	196,896	63,812
Total revenues	7,468,689	6,986,896	481,793
Expenditures			
Operating expenditures			
Personal services	446,586	387,721	(58,865)
Operating expenditures	6,000,006	6,074,935	74,929
General and administrative	139,700	139,700	-
Capital outlay	5,352	13,552	8,200
Total operating expenditures	6,591,644	6,615,908	24,264
Debt service			
Principal	1,587,566	1,587,567	1
Interest and fiscal charges	1,433,466	1,375,286	(58,180)
Total debt service	3,021,032	2,962,853	(58,179)
Total expenditures	9,612,676	9,578,761	(33,915)
(Deficiency) of revenues over expenditures	(2,143,987)	(2,591,865)	447,878
Other financing sources			
Appropriations from fund balance	-	1,100,000	(1,100,000)
Transfers from reserves	-	100,932	(100,932)
Transfers from other funds	1,390,933	1,390,933	-
Total other financing sources	1,390,933	2,591,865	(1,200,932)
Excess (deficiency) of revenues over expenditures and other financing sources	\$ (753,054)	\$ -	\$ (753,054)

CITY OF DURHAM, NORTH CAROLINA

Solid Waste Disposal Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2005

Exhibit C-12

Revenues and other financing sources

Operating revenues	\$ 7,207,981
Non-operating revenues	260,708
Other financing sources	<u>1,390,933</u>
Total revenues	<u>8,859,622</u>

Expenditures

9,612,676

Excess (deficiency) of revenues and other financing sources over
expenditures and other financing uses

(753,054)

Reconciling items:

Payment of debt principal	1,587,566
Capital asset purchases	5,352
Capital assets transferred in	59,864
Capital asset disposals	(5,544)
Adjust unbilled receivables	(2,200)
Adjust bad debts expense	(541)
Adjust post closure costs	146,399
Accrued interest payable adjustment	26,919
Amortization of discount	763
Depreciation	<u>(856,604)</u>

Change in net assets - Full accrual basis

\$ 208,920

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-13

Civic Center Fund

Schedule of Revenues, Expenditures and Other Financing Sources (Use)

Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	Actual	Budget	Variance favorable (Unfavorable)
Revenues			
Operating revenue	\$ 373,342	\$ 427,000	\$ (53,658)
Nonoperating revenues	38,538	31,320	7,218
Taxes			
Property taxes			
Current levy	1,369,558	1,268,370	101,188
Prior years' levy	23,579	25,372	(1,793)
Total taxes	1,393,137	1,293,742	99,395
Intergovernmental revenue	864,165	884,629	(20,464)
Investment income	41,958	27,303	14,655
Total revenues	2,711,140	2,663,994	47,146
Expenditures			
Operating Expenditures			
Personal Services	69	68,739	68,670
Operations Expenditures	1,332,964	1,492,848	159,884
Capital outlay	5,065	6,143	1,078
Total operating expenditures	1,338,098	1,567,730	229,632
General and administrative	75,000	75,000	-
Debt service			
Bonds payable			
Principal	544,106	544,106	-
Interest and fiscal charges	88,153	88,153	-
Total debt service	632,259	632,259	-
Total expenditures	2,045,357	2,274,989	229,632
Excess (deficiency) of revenues over expenditures	665,783	389,005	276,778
Other financing sources (use)			
Transfers from reserves	-	154,611	(154,611)
Transfers to fund balance	-	(543,616)	543,616
Total other financing sources (use)	-	(389,005)	389,005
Excess (deficiency) of revenues and other financing sources over expenditures (use)	\$ 665,783	\$ -	\$ 665,783

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-14

Civic Center Operating Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2005

Revenues and other financing sources	
Operating revenues	\$ 373,342
Non-operating revenues	<u>2,337,798</u>
Total revenues	<u>2,711,140</u>
 Expenditures	 <u>2,045,357</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 665,783
 Reconciling items:	
Minority interest in share of depreciation	139,934
Intergovernmental revenue related to purchase of equity interest in Civic Center	(383,380)
Payment of debt principal	544,106
Capital asset purchases	5,065
Capital asset disposals	(45,540)
Accrued interest payable adjustment	2,740
Amortization of discount	14,058
Depreciation	<u>(287,930)</u>
 Change in net assets - Full accrual basis	 \$ <u><u>654,836</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-15

Ballpark Fund

Schedule of Revenues, Expenditures and Other Financing Sources (Use)

Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 624,822	\$ 547,928	\$ 76,894
Nonoperating revenues			
Investment income	10,869	20,945	(10,076)
Rent - nonoperating revenues	2,504	-	2,504
Total nonoperating revenues	13,373	20,945	(7,572)
Total revenues	638,195	568,873	69,322
Expenditures			
Operating expenditures			
Personal services	133,958	188,467	54,509
Operating expenditures	616,076	751,463	135,387
Non-departmental administration	97,218	97,218	-
	847,252	1,037,148	189,896
Debt service			
Certificates of Participation			
Principal	665,000	665,000	-
Interest and fiscal charges	456,553	456,251	(302)
Total debt service	1,121,553	1,121,251	(302)
Total operating expenditures	1,968,805	2,158,399	189,594
(Deficiency) of revenues over expenditures	(1,330,610)	(1,589,526)	258,916
Other financing sources (use)			
Transfers from other funds	1,800,723	1,800,723	-
Transfers from reserves		25,645	(25,645)
Transfers to other funds	(236,842)	(236,842)	-
Total other financing sources (use)	1,563,881	1,589,526	(25,645)
Excess of revenues and other financing sources over expenditures and other financing use	\$ 233,271	\$ -	\$ 233,271

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-16

Ballpark Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2005

Revenues and other financing sources

Operating revenues	\$ 624,822
Non-operating revenues	13,373
Other financing sources	<u>1,800,723</u>
Total revenues	<u>2,438,918</u>

Expenditures and other financing use

Operating expenditures	1,968,805
Other financing use	<u>236,842</u>
	<u>2,205,647</u>

Excess (deficiency) of revenues and other financing sources over
expenditures and other financing uses

233,271

Reconciling items:

Payment of debt principal	665,000
Transfer to pay advance from other funds	236,842
Capital asset disposals	(2,380)
Accrued interest payable adjustment	12,980
Amortization of discount	(73,095)
Depreciation	<u>(327,968)</u>

Change in net assets - Full accrual basis

\$ 744,650

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-17

Storm Water Management Fund

Schedule of Revenues, Expenditures and Other Financing Sources (Use)

Compared to Budget (Modified Accrual Basis)

Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Operating revenues	\$ 7,098,669	\$ 7,528,107	\$ (429,438)
Nonoperating revenues			
Investment income	158,789	129,628	29,161
Miscellaneous	142,645	120,000	22,645
Total nonoperating revenues	301,434	249,628	51,806
Total revenues	7,400,103	7,777,735	(377,632)
Expenditures			
Operating expenditures			
Storm water management	1,958,316	2,709,735	751,419
Storm water maintenance	976,225	909,655	(66,570)
Street cleaning	1,286,184	1,338,766	52,582
Capital outlay	859,834	1,074,858	215,024
Non-departmental administration	809,330	809,330	-
Total operating expenditures	5,889,889	6,842,344	952,455
Excess (deficiency) of revenues over expenditures	1,510,214	935,391	574,823
Other financing sources (use)			
Transfers from reserves	-	410,993	(410,993)
Appropriation from fund balance	-	557,000	(557,000)
Transfers to other funds	(1,903,384)	(1,903,384)	-
Total other financing sources (use)	(1,903,384)	(935,391)	(967,993)
(Deficiency) of revenues over expenditures and other financing sources (use)	\$ (393,170)	\$ -	\$ (393,170)

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-18

Storm Water Management Grant Fund

Schedule of Revenues, Expenditures and Operating Transfers from Other Funds Compared with
Authorizations, from Grant Inception through June 30, 2005

	<u>Grant Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Intergovernmental revenues	\$ <u>285,954</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Expenditures	<u>289,454</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and over expenditures	(3,500)	-	-	-
Other financing source				
Transfers from other funds	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing source over expenditures	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-19

Storm Water Construction Fund

Schedule of Project Expenditures and Other Financing Sources (Uses) Compared with Authorizations

(Modified Accrual Basis)

From Project Inception through June 30, 2005

	<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Storm water projects expenditures				
Private Property Drainage Priority 1 Projects	\$ 973,950	\$ -	\$ 329,958	\$ 329,958
Private Property Drainage Priority 2 Projects	276,050	-	-	-
Watershed Planning and Design	425,000	-	-	-
Total expenditures	<u>1,675,000</u>	<u>-</u>	<u>329,958</u>	<u>329,958</u>
Other financing source				
Transfers from other funds	<u>1,675,000</u>	<u>-</u>	<u>1,250,370</u>	<u>1,250,370</u>
Total other financing source	<u>1,675,000</u>	<u>-</u>	<u>1,250,370</u>	<u>1,250,370</u>
Excess (deficiency) of other financing source over expenditures	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>920,412</u></u>	\$ <u><u>920,412</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit C-20

Storm Water Management Fund

Reconciliation of Modified Accrual to Full Accrual Basis

For the Year Ended June 30, 2005

Revenues and other financing sources	
Operating revenues	\$ 7,098,669
Non-operating revenues	301,434
Construction fund	<u>1,250,370</u>
Total revenues and other financing sources	8,650,473
 Expenditures and other financing use	
Operating fund	7,793,273
Construction fund	<u>329,958</u>
Total expenditures and other financing use	8,123,231
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	527,242
 Reconciling items:	
Capital asset purchases	859,834
Capital asset disposals	(48,680)
Adjustment for bad debt expense	(57,601)
Adjustment for unbilled receivables	(150,162)
Depreciation	<u>(407,398)</u>
 Change in net assets - Full accrual basis	\$ <u><u>723,235</u></u>

DURHAM



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CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Postive
				(Negative)
Revenues				
Taxes				
Property taxes				
Current levy	\$ 85,726,893	\$ 85,726,893	\$ 87,531,078	\$ 1,804,185
Prior years' levies	2,134,945	2,134,945	1,497,615	(637,330)
Interest and penalties	415,000	415,000	384,275	(30,725)
Total property taxes	88,276,838	88,276,838	89,412,968	1,136,130
Other local taxes				
Local option sales tax	31,387,000	31,387,000	33,683,383	2,296,383
Gross receipts	-	-	185,455	185,455
Hotel/motel occupancy tax	1,415,890	1,415,890	1,426,067	10,177
Total other local taxes	32,802,890	32,802,890	35,294,905	2,492,015
Total taxes	121,079,728	121,079,728	124,707,873	3,628,145
Licenses and permits				
Construction permits				
Building permits	1,543,336	1,543,336	1,902,233	358,897
Electrical permits	906,020	906,020	1,203,589	297,569
Plumbing permits	432,574	432,574	523,439	90,865
Heating permits	507,507	507,507	524,740	17,233
Driveway permits	55,000	55,000	72,599	17,599
Business and professional licenses	2,488,389	2,488,389	2,944,189	455,800
CATV franchise tax	1,607,562	1,607,562	1,852,094	244,532
Fire permits	6,500	6,500	8,735	2,235
Sign permits	15,000	15,000	28,899	13,899
Street cuts permits	5,000	5,000	5,400	400
Miscellaneous licenses and permits	16,200	16,200	16,355	155
Total licenses and permits	7,583,088	7,583,088	9,082,272	1,499,184

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Postive (Negative)
Revenues (Continued)				
Intergovernmental revenues				
State shared				
Utility franchise tax	\$ 8,181,391	\$ 8,181,391	\$ 8,144,781	\$ (36,610)
Gasoline tax	5,523,096	5,523,096	5,843,226	320,130
Beer and wine tax	795,019	795,019	892,628	97,609
Alcoholic beverage control	47,000	47,000	62,903	15,903
Other agencies				
Durham County	1,048,805	1,048,805	870,824	(177,981)
Durham Housing Authority	200,000	200,000	50,000	(150,000)
Payments in lieu of taxes	100,000	100,000	80,341	(19,659)
Total intergovernmental revenues	15,895,311	15,895,311	15,944,703	49,392
Investment and rental income				
Investment income	1,265,440	1,535,927	1,990,614	454,687
Rental income	156,000	156,000	38,956	(117,044)
Air lease	27,000	27,000	6,750	(20,250)
Total investment and rental income	1,448,440	1,718,927	2,036,320	317,393
Charges for services				
General government				
City clerk	500	500	-	(500)
Development				
Planning and community development	1,611,118	1,611,118	1,457,284	(153,834)
N. C. State Highways Commission	296,206	296,206	176,449	(119,757)
Special street maintenance	-	-	17,079	17,079
Street sign and marking	135,000	135,000	288,605	153,605
Traffic signals	80,000	80,000	81,778	1,778

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Postive (Negative)
Revenues (Continued)				
Charges for services (Continued)				
Schedule "D" -				
computer maintenance	\$ 212,000	\$ 212,000	\$ -	\$ (212,000)
Computer Maintenance	-	-	12,050	12,050
Engineering inspection fees	210,000	210,000	231,102	21,102
Public protection				
Communications center	803,343	1,578,843	785,946	(792,897)
Fire and burglar alarms	-	-	(154,337)	(154,337)
False alarm charges	180,000	180,000	194,506	14,506
Officers' fees	81,000	81,000	80,960	(40)
Fingerprinting and photographs	6,050	6,050	5,585	(465)
Radio maintenance	45,000	45,000	52,695	7,695
Fire protection -				
state owned buildings	74,969	74,969	74,968	(1)
other buildings	300,000	300,000	382,027	82,027
Fire inspections	613,000	613,000	616,926	3,926
Fire reports	-	-	418	418
Wrecker dispatch fee	60,000	60,000	59,251	(749)
Solid waste				
Landfill tipping fees	35,000	35,000	60,187	25,187
Bulky item collection fee	10,000	10,000	4,488	(5,512)
Additional commercial pickups	1,600,000	1,600,000	1,191,853	(408,147)
Trailer rental	-	-	(30,500)	(30,500)
Brush pickup	1,037,760	1,037,760	978,982	(58,778)
Recreation				
Activities	678,625	678,625	534,213	(144,412)
Admissions	73,500	73,500	60,958	(12,542)
Entry fees	40,350	40,350	10,441	(29,909)
Use charges	247,700	247,700	174,068	(73,632)
Registration fees	35,350	35,350	15,412	(19,938)
Services	211,175	211,175	213,454	2,279
General services				
Lot sales	412,309	412,309	228,516	(183,793)
Interment	333,600	333,600	273,530	(60,070)
Other services	23,016	23,016	8,907	(14,109)
Total charges for services	9,446,571	10,222,071	8,087,801	(2,134,270)

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-1

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Postive
				(Negative)
Revenues (Continued)				
Intragovernmental services				
Development				
Street construction - City forces	\$ 535,000	\$ 535,000	\$ 471,128	\$ (63,872)
Engineering fees	153,800	153,800	57,950	(95,850)
Overhead charges	-	-	5,046	5,046
Equipment rental	100,000	100,000	227,206	127,206
Fringe benefit charges	-	-	2,556	2,556
Total intragovernmental services	788,800	788,800	763,886	(24,914)
Other				
Sale of property	1,038,350	1,038,350	118,500	(919,850)
Parking violations	450,000	450,000	510,254	60,254
Assessments	90,000	196,293	374,984	178,691
Donations	70,500	70,500	130,061	59,561
Inspection surcharge	188,757	188,757	220,978	32,221
Sale of surplus equipment	233,500	233,500	249,105	15,605
Housing liens	-	-	38,453	38,453
Miscellaneous	105,902	105,902	664,582	558,680
Total other	2,177,009	2,283,302	2,306,917	23,615
Total revenues	158,418,947	159,571,227	162,929,772	3,358,545
Other financing sources				
Operating transfers from other funds	7,438,307	7,438,307	548,252	(6,890,055)
Premium for debt issuances	-	-	1,808,586	1,808,586
Certificates of Participation	2,812,648	3,365,848	6,587,608	3,221,760
Transfers from reserves	-	3,812,837	-	(3,812,837)
Appropriation from fund balance	855,303	1,270,423	-	(1,270,423)
Total other financing sources	11,106,258	15,887,415	8,944,446	(6,942,969)
Total revenues and other financing sources	\$ 169,525,205	\$ 175,458,642	\$ 171,874,218	\$ (3,584,424)

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-2

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures				
Governance				
General government				
City Council	\$ 221,652	\$ 239,594	\$ 193,942	\$ 45,652
City Manager	945,058	968,997	963,920	5,077
City Attorney	520,735	536,723	524,969	11,754
City Clerk	956,200	998,298	944,219	54,079
Budget and management services	496,995	508,709	475,793	32,916
Grants office	754,823	756,325	736,009	20,316
Audit services	521,891	521,891	491,883	30,008
Public affairs office	385,248	405,234	277,100	128,134
Equal opportunity and equity assurance	420,791	439,588	417,469	22,119
Development				
Economic and employment development	868,300	1,159,852	759,539	400,313
Other functions	311,374	246,647	218,976	27,671
Total governance	6,403,067	6,781,858	6,003,819	778,039
Administrative services	-	-	(1,074,688)	1,074,688
Total governance (net)	6,403,067	6,781,858	4,929,131	1,852,727
Public protection				
Public safety				
Police	37,727,904	38,030,483	37,417,826	612,657
Fire	18,608,359	19,066,069	18,386,499	679,570
Transportation and street lighting	1,672,952	1,673,142	1,666,106	7,036
Emergency management	159,139	159,139	171,226	(12,087)
North East Central Durham	121,253	121,253	49,405	71,848
911 wireless surcharge	40,000	817,000	39,890	777,110
Communications	2,574,528	2,600,664	2,554,521	46,143
Other functions	579,398	598,467	108,949	489,518
Total public protection	61,483,533	63,066,217	60,394,422	2,671,795

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-2

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures (Continued)				
Community services and development				
Development				
Planning	\$ 2,973,032	\$ 3,045,863	2,665,466	\$ 380,397
Inspections	2,974,478	2,986,930	2,913,550	73,380
Housing	2,146,900	2,236,056	1,958,463	277,593
Streets and highways				
Public works	10,290,497	12,413,307	11,361,998	1,051,309
Recreation				
Parks and recreation	6,318,232	6,739,412	5,726,423	1,012,989
General Services				
Property facility and management	12,512,305	12,816,306	11,983,955	832,351
Solid waste collections	13,091,112	13,253,703	12,384,044	869,659
Other functions	980,441	1,025,529	679,522	346,007
Total community services and development	51,286,997	54,517,106	49,673,421	4,843,685
Administrative services	-	-	(509,375)	509,375
Total community services and development (net)	51,286,997	54,517,106	49,164,046	5,353,060
Administrative and support services				
General government				
Human resources	1,451,842	1,513,367	1,370,859	142,508
Human relations	368,877	371,389	359,032	12,357
Technology solutions	3,989,664	4,033,011	3,739,004	294,007
Finance and management services	5,833,201	5,561,547	5,065,695	495,852
Other	585,802	627,802	465,434	162,368
Total administrative and support services	12,229,386	12,107,116	11,000,024	1,107,092
Administrative services	-	-	(4,202,212)	4,202,212
Total administrative and support services(net)	12,229,386	12,107,116	6,797,812	5,309,304

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-2

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures (Continued)				
Non-departmental charges	\$ 7,712,695	\$ 7,599,755	\$ 8,285,258	\$ (685,503)
Debt service				
Bonds payable	7,318,744	7,318,744	7,318,746	(2)
Certificates of Participation	4,571,265	4,846,265	2,320,000	2,526,265
Revenue bonds	70,000	70,000	-	70,000
Agent's fees	347,025	347,025	573,846	(226,821)
Interest payment	6,977,413	7,100,157	4,219,239	2,880,918
Total debt service	19,284,447	19,682,191	14,431,831	5,250,360
Total expenditures	158,400,125	163,754,243	144,002,500	19,751,743
Other financing uses				
Payment to COP's escrow agent	-	-	10,931,110	(10,931,110)
Transfers to other funds				
Public protection				
Public safety	28,642	21,581	21,568	13
Fire	33,692	13,401	13,401	-
Community services and development				
Streets and highways	118,209	118,209	111,209	7,000
General services	39,195	271,195	271,195	
Recreation	32,400	19,656	-	19,656
Non-departmental	10,872,942	11,260,357	10,860,357	400,000
Total transfers to other funds	11,125,080	11,704,399	11,277,730	426,669
Total other financing uses	11,125,080	11,704,399	22,208,840	(10,504,441)
Total expenditures and other financing uses	\$ 169,525,205	\$ 175,458,642	\$ 166,211,340	\$ 9,247,302

CITY OF DURHAM, NORTH CAROLINASchedule of Taxes Receivable by Fund
June 30, 2005

Exhibit D-3

<u>Levy Year</u>	<u>General Fund</u>	<u>Civic Center Fund</u>	<u>Total Taxes Receivable</u>
2005	\$ 1,094,462	\$ 16,335	\$ 1,110,797
2004	1,722,498	25,709	1,748,207
2003	471,546	7,038	478,584
2002	387,348	5,781	393,129
2001	116,016	1,732	117,748
2000	123,286	1,840	125,126
1999	63,200	943	64,143
1998	33,221	496	33,717
1997	21,271	317	21,588
1996	40,139	599	40,738
Previous years	<u>81,565</u>	<u>1,217</u>	<u>82,782</u>
Taxes receivable	4,154,552	62,007	4,216,559
Allowance for uncollectible taxes	<u>(925,108)</u>	<u>(14,565)</u>	<u>(939,673)</u>
Net taxes receivable	\$ <u><u>3,229,444</u></u>	\$ <u><u>47,442</u></u>	\$ <u><u>3,276,886</u></u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-4

Housing Projects Fund

Schedule of Project Revenues, Expenditures and Other Financing Sources (Uses) Compared with Authorizations

(Modified Accrual Basis)

From Project Inception and through June 30, 2005

	<u>Authorizations</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues:				
Investment and rental income	\$ 397,326	\$ 1,084,027	\$ 121,884	\$ 1,205,911
Sale of property	783,820	749,866	21,089	770,955
Repayment of loans	14,319,604	11,500,682	1,226,267	12,726,949
Other	-	518,221	-	518,221
Total revenues	<u>15,500,750</u>	<u>13,852,796</u>	<u>1,369,240</u>	<u>15,222,036</u>
Expenditures				
Personal services	91,467	259,617	(490)	259,127
Operations and rehabilitation	40,461,780	32,218,681	2,587,761	34,806,442
Capital outlay	<u>8,488,468</u>	<u>3,456,590</u>	<u>227,977</u>	<u>3,684,567</u>
Total expenditures	<u>49,041,715</u>	<u>35,934,888</u>	<u>2,815,248</u>	<u>38,750,136</u>
(Deficiency) of revenues over expenditures	<u>(33,540,965)</u>	<u>(22,082,092)</u>	<u>(1,446,008)</u>	<u>(23,528,100)</u>
Other financing sources and use				
Bonds issued	35,000,000	22,014,000	-	22,014,000
Transfers from other funds	-	1,795,248	-	1,795,248
Transfers to other funds	<u>(1,459,035)</u>	<u>(1,424,179)</u>	<u>-</u>	<u>(1,424,179)</u>
	<u>33,540,965</u>	<u>22,385,069</u>	<u>-</u>	<u>22,385,069</u>
(Deficiency) of revenues and other financing sources (use) over expenditures			\$ <u>(1,446,008)</u>	

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-5

General Fund Special Assessments Receivable
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Special Assessments Receivable			
	Beginning Balance	Assessments to Property	Collections	Ending Balance
1996	\$ 617,736	\$ -	\$ 145,640	\$ 472,096
1997	472,096	529,909	218,848	783,157
1998	783,157	72,564	256,515	599,206
1999	599,206	60,998	112,958	547,246
2000	547,246	457,876	190,529	814,593
2001	814,593	235,347	354,711	695,229
2002	695,229	503,741	343,424	855,546
2003	855,546	-	290,043	565,503
2004	565,503	-	145,916	419,587
2005	419,587	289,571	374,985	334,173

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-6

 Proprietary Special Assessments Receivable
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Water and Sewer Utility Assessments Receivable			
	Beginning Balance	Assessments to Property	Collections	Ending Balance
1996	\$ 4,568,523	\$ 1,956,419	\$ 1,970,551	\$ 4,554,391
1997	4,554,391	1,928,901	1,857,493	4,625,799
1998	4,625,799	974,385	2,110,154	3,490,030
1999	3,490,030	1,267,483	1,653,041	3,104,472
2000	3,104,472	1,012,252	1,259,922	2,856,802
2001	2,856,802	1,616,279	1,401,989	3,071,092
2002	3,071,092	755,887	1,316,996	2,509,983
2003	2,509,983	789,824	1,250,118	2,049,689
2004	2,049,689	124,334	659,544	1,514,479
2005	1,514,479	790,816	941,849	1,363,446

Fiscal Year Ended June 30,	Storm Water Assessments Receivable			
	Beginning Balance	Assessments to Property	Collections	Ending Balance
1996	\$ -	\$ 26,000	\$ 785	\$ 25,215
1997	25,215	-	5,381	19,834
1998	19,834	-	1,324	18,510
1999	18,510	-	8,450	10,060
2000	10,060	-	1,170	8,890
2001	8,890	-	1,755	7,135
2002	7,135	-	1,981	5,154
2003	5,154	-	431	4,723
2004	4,723	-	981	3,742
2005	3,742	-	1,142	2,600

CITY OF DURHAM

Schedule of General Obligation Bonds, Revenue Bonds and Certificates of Participation
June 30, 2005

Purpose of Issue	Date of		Interest Rate			Original
	Issue					Issue
General Government						
Carolina Theater Series 1993	03/01/93	4.70	-	5.20	\$	970,690
Carolina Theater Variable Series 1993	03/18/93	Variable				629,310
Arts Center / Museum Series 1998	03/01/98	4.50	-	4.70		590,000
Arts Series 1999	04/01/99	4.25	-	5.00		3,000,000
Arts & Museum Series 2000A	03/01/00	5.25	-	5.50		59,000
Arts & Museum Series 2000B	09/01/00	4.80	-	5.10		1,525,000
Historic St. Joseph's Renovations Refunding Series 2002	06/01/02	4.00	-	5.00		326,000
CD - Housing Variable Series 1993	03/18/93	Variable				763,038
CD - Housing Series 1993	03/01/93	4.70	-	5.20		1,176,961
CD - Housing 1987, 1992, 1990, 1995 Refunding Series 2003	06/03/03	5.00	-	6.00		7,055,499
CD- 1986, 1994 Refunding Series 2004	01/01/04	2.00	-	4.00		279,801
CD - 2/3 Bonds Series 2004	06/30/04	4.00	-	5.00		1,500,000
Housing Series 1996 Taxable	04/10/96	6.50	-	6.50		7,100,000
Housing Series 1996	02/01/96	4.60	-	5.10		758,000
Housing Series 1997	02/01/97	5.00	-	5.40		359,000
Housing Series 1998	03/01/98	4.50	-	4.70		925,000
Housing Series 1999	04/01/99	4.25	-	5.00		1,460,000
Housing Series 2000A	03/01/00	5.25	-	5.50		758,000
Housing Series 2000B	09/01/00	4.80	-	5.10		845,000
Housing Variable Series 2000C	10/26/00	Variable				8,000,000
Housing Series 2002	09/01/01	4.00	-	5.00		1,239,000
Housing 87 Refunding 1992, 1995 Refunding Series 2003	06/03/03	5.00	-	6.00		1,382,896
Housing - 1994 Refunding Series 2004	01/01/04	2.00	-	4.00		691,274
Parks & Recreation Series 1993	03/01/93	4.70	-	5.20		506,579
Parks & Rec. Variable Series 1993	03/18/93	Variable				328,421
Parks & Rec. Facility Series 1996	02/01/96	4.60	-	5.10		150,000
Parks & Rec. Facility Series 1997	02/01/97	5.00	-	5.40		139,000
Parks & Rec. Facility Series 1998	03/01/98	4.50	-	4.70		230,000
Parks & Rec. Facility Series 1999	04/01/99	4.25	-	5.00		66,000
Parks & Recreation Series 1999	04/01/99	4.25	-	5.00		2,481,000
Parks & Rec. Facility Series 2000A	03/01/00	5.25	-	5.50		125,000
Parks & Recreation Series 2000A	03/01/00	5.25	-	5.50		2,826,000
Parks & Recreation Series 2000B	09/01/00	4.80	-	5.10		5,965,000
Parks & Recreation Series 2002	09/01/01	4.00	-	5.00		6,500,000
Park & Rec 86, 87, 90, 92, 93, 95 Refunding Series 2003	06/03/03	5.00	-	6.00		2,874,968
Parks & Recreation 1992, 93, 94 Refunding Series 2004	01/01/04	2.00	-	4.00		342,345
Parks & Recreation - 2/3 Bonds Series 2004	06/30/04	4.00	-	5.00		1,200,000
Public Transportation Series 2002	09/01/01	4.00	-	5.00		3,450,000
Urban Trails Series 1996	02/01/96	4.60	-	5.10		305,000
Urban Trails Series 1997	02/01/97	5.00	-	5.40		370,000
Urban Trails Series 1998	03/01/98	4.50	-	4.70		640,000
Urban Trails Series 1999	04/01/99	4.25	-	5.00		418,000
Urban Trails Series 2000	03/01/00	5.25	-	5.50		1,467,000
Street Series 1993	03/01/93	4.70	-	5.20		1,231,563
Street Variable Series 1993	03/18/93	Variable				798,437

Principal					
Retired to Date	Principal Balance June 30, 2005	Debt Service Requirements		Balance June 30, 2006	
		Fiscal Year 2005-2006			
		Principal	Interest		
\$ 685,012	\$ 285,678	\$ 89,082	\$ 14,582	\$ 196,596	
0	629,310	-	Variable	629,310	
211,510	378,490	30,216	17,668	348,274	
615,280	2,384,720	102,547	111,484	2,282,173	
14,570	44,430	2,914	2,411	41,516	
288,587	1,236,413	72,147	62,091	1,164,266	
37,746	288,254	12,582	12,887	275,672	
-	763,038	-	Variable	763,038	
830,577	346,384	108,012	17,680	238,372	
3,376,696	3,678,803	1,401,706	183,940	2,277,097	
15,250	264,551	15,537	9,335	249,014	
-	1,500,000	-	22,275	1,500,000	
4,605,000	2,495,000	665,000	162,175	1,830,000	
134,175	623,825	19,168	31,056	604,657	
129,819	229,181	16,227	11,992	212,953	
331,604	593,396	47,372	27,700	546,024	
299,436	1,160,564	49,906	54,255	1,110,658	
187,191	570,809	37,438	30,970	533,371	
159,905	685,095	39,976	34,405	645,118	
1,000,000	7,000,000	250,000	Variable	6,750,000	
143,458	1,095,542	47,819	48,979	1,047,722	
566,009	816,887	57,269	40,844	759,618	
37,677	653,597	38,384	23,063	615,213	
357,491	149,088	46,490	7,610	102,598	
-	328,421	-	Variable	328,421	
26,552	123,448	3,793	6,146	119,655	
50,263	88,737	6,283	4,643	82,454	
82,453	147,547	11,779	6,888	135,768	
13,537	52,463	2,256	2,453	50,207	
508,836	1,972,164	84,806	92,197	1,887,358	
30,869	94,131	6,174	5,107	87,957	
697,893	2,128,107	139,579	115,464	1,988,529	
1,128,800	4,836,200	282,200	242,868	4,554,000	
752,605	5,747,395	250,868	256,952	5,496,527	
1,029,310	1,845,658	459,481	92,284	1,386,177	
18,659	323,686	19,009	11,422	304,677	
-	1,200,000	-	53,460	1,200,000	
399,459	3,050,541	133,153	136,382	2,917,388	
53,989	251,011	7,713	12,496	243,299	
133,797	236,203	16,725	12,359	219,479	
229,434	410,566	32,776	19,166	377,790	
85,729	332,271	14,288	15,533	317,983	
362,281	1,104,719	72,456	59,938	1,032,262	
869,110	362,453	113,023	18,501	249,430	
-	798,437	-	Variable	798,437	

Continued on next page.

CITY OF DURHAM

Schedule of General Obligation Bonds, Revenue Bonds and Certificates of Participation
June 30, 2005

Purpose of Issue	Date of Issue	Interest Rate			Original Issue
General Government (Continued)					
Street Series 1996	02/01/96	4.60	-	5.10	\$ 3,745,000
Street Series 1997	02/01/97	5.00	-	5.40	386,000
Street Series 1998	03/01/98	4.50	-	4.70	246,000
Streets Series 1998	03/01/98	4.50	-	4.70	220,000
Streets Series 1999	04/01/99	4.25	-	5.00	153,000
Street Series 1999	04/01/99	4.25	-	5.00	1,760,000
Street Series 2000A	03/01/00	5.25	-	5.50	6,843,000
Streets Series 2002	09/01/00	4.80	-	5.10	859,000
Street Series 2000B	09/01/01	4.00	-	5.00	14,395,000
Street 86 Refunding 92, 93, 95 Refunding Series 2003	06/03/03	5.00	-	6.00	5,495,192
Street 1994 - Refunding Series 2004	01/01/04	2.00	-	4.00	2,738,760
Streets - 2/3 Bonds Series 2004	06/30/04	4.00	-	5.00	6,800,000
Subtotal General Government Bonds					<u>117,448,735</u>
Water and Sewer Utility Bonds					
Sewer Series 1993	03/01/93	4.70	-	5.20	16,404,659
Sewer Variable Series 1993	03/18/93	Variable			10,635,341
Sewer Series 1996	02/01/96	4.60	-	5.10	8,077,000
Sewer Series 1997	02/01/97	5.00	-	5.40	3,927,000
Sewer Series 1998	03/01/98	4.50	-	4.70	9,164,000
Sewer Series 1999	04/01/99	4.25	-	5.00	10,235,000
Sewer Series 2000A	03/01/00	5.25	-	5.50	87,000
Sewer 86, 87, 90 refund. 92,93, 95 Sewer Refunding Series 2003	06/03/03	5.00	-	6.00	17,008,711
Sewer 1994 / Refunding Series 2004	01/01/04	2.00	-	4.00	13,193,450
Sewer - 2/3 Bonds Series 2004	06/30/04	4.00	-	5.00	500,000
Water Series 1993	03/01/93	4.70	-	5.20	728,017
Water Variable Series 1993	03/18/93	Variable			471,983
Water 86, 88, 92, 93 Water Refunding Series 2003	06/03/03	5.00	-	6.00	8,279,180
Water 1994 / Refunding Series 2004	01/01/04	2.00	-	4.00	1,751,226
Subtotal water and sewer utility bonds					<u>100,462,568</u>
Solid Waste Management Bonds					
Solid Waste Series 1993	03/01/93	4.70	-	5.20	2,681,531
Solid Waste Variable Series 1993	03/18/93	Variable			1,738,469
Solid Waste Series 1996	02/01/96	4.60	-	5.10	2,190,000
Solid Waste Series 1997	02/01/97	5.00	-	5.40	2,009,000
Solid Waste Series 1998	03/01/98	4.50	-	4.70	6,535,000
Solid Waste Series 1999	04/01/99	4.25	-	5.00	9,682,000
Solid Waste Series 2000A	03/01/00	5.25	-	5.50	3,020,000
Solid Waste Series 2000B	09/01/00	4.80	-	5.10	7,716,000
Solid Waste 1994 / Refunding Series 2004	01/01/04	2.00	-	4.00	543,144
Subtotal solid waste management bonds					<u>36,115,144</u>

Retired to Date	Principal Balance June 30, 2005	Principal Debt Service Requirements		Balance June 30, 2006
		Fiscal Year 2005-2006		
		Principal	Interest	
\$ 662,908	\$ 3,082,092	\$ 94,701	\$ 153,437	\$ 2,987,391
139,583	246,417	17,448	12,894	228,969
88,188	157,812	12,598	7,367	145,213
78,868	141,132	11,267	6,588	129,865
31,379	121,621	5,230	5,685	116,391
360,964	1,399,036	60,161	65,404	1,338,876
1,689,908	5,153,092	337,982	279,590	4,815,111
162,555	696,445	40,639	34,975	655,807
1,666,731	12,728,269	555,577	569,050	12,172,692
282,082	5,213,110	1,195,967	260,656	4,017,143
149,271	2,589,489	152,076	91,372	2,437,413
-	6,800,000	-	302,940	6,800,000
<u>25,813,005</u>	<u>91,635,730</u>	<u>7,289,799</u>	<u>3,881,619</u>	<u>84,345,930</u>
11,576,705	4,827,954	1,505,491	246,433	3,322,463
-	10,635,341	-	Variable	10,635,341
1,429,722	6,647,278	204,246	330,925	6,443,032
1,420,056	2,506,944	177,507	131,176	2,329,437
3,285,207	5,878,793	469,315	274,426	5,409,478
2,099,029	8,135,971	349,855	380,345	7,786,116
21,485	65,515	4,297	3,555	61,218
3,529,353	13,479,358	1,728,235	673,973	11,751,123
719,090	12,474,360	732,594	440,169	11,741,766
-	500,000	-	22,275	500,000
513,759	214,258	66,812	10,936	147,446
-	471,983	-	Variable	471,983
1,846,131	6,433,049	929,371	321,653	5,503,678
95,449	1,655,777	97,240	58,426	1,558,537
<u>26,535,986</u>	<u>73,926,581</u>	<u>6,264,964</u>	<u>2,894,292</u>	<u>67,661,618</u>
1,892,347	789,184	246,090	40,282	543,094
-	1,738,469	-	Variable	1,738,469
387,655	1,802,345	55,379	89,727	1,746,966
726,481	1,282,519	90,810	67,108	1,191,709
2,342,736	4,192,264	334,677	195,698	3,857,587
1,985,712	7,696,288	330,952	359,794	7,365,336
745,801	2,274,199	149,160	123,390	2,125,039
1,460,153	6,255,847	365,038	314,161	5,890,809
29,604	513,540	30,159	18,121	483,381
<u>9,570,489</u>	<u>26,544,655</u>	<u>1,602,266</u>	<u>1,208,281</u>	<u>24,942,389</u>

Continued on next page.

CITY OF DURHAM

Schedule of General Obligation Bonds, Revenue Bonds and Certificates of Participation June 30, 2005

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Interest Rate</u>			<u>Original Issue</u>
Civic Center Bonds					
Civic Center 86, Refunding 92 Refunding Series 2003	06/03/03	5.00	-	6.00	\$ <u>2,229,010</u>
Transit Bonds					
Public Trans. 87 Ref. 92, 90 Ref. 93 Refunding Series 2003	06/03/03	5.00	-	6.00	<u>363,920</u>
Total General Obligation Bonded Debt					\$ <u>256,619,376</u>
Revenue Bonds					
Water & Sewer Variable Revenue Bonds Series 1994	12/15/94	Variable			\$ 10,500,000
Water & Sewer Revenue Bonds Series 1998	06/15/98	4.50	-	5.00	16,765,000
Water & Sewer Revenue Bonds Series 2001	07/15/01	2.75	-	5.25	<u>22,000,000</u>
Total Revenue Bonds					\$ <u>49,265,000</u>
Certificates of Participation					
General Purpose					
COPs Series 1996A - 1990 Police Hq. Refunding	12/15/96	3.75	-	5.25	\$ 3,255,000
COPs Series 1996B - 1991 Public Works & Fire Station Refunding	12/15/96	3.75	-	5.25	4,415,000
COPs Series 2001A - Multi - purpose	07/15/01	3.40	-	5.25	<u>15,660,000</u>
Subtotal general purpose					<u>23,330,000</u>
Ballpark Fund					
COPs Series 1998A - 1992 Ballpark Refunding	10/15/98	3.00	-	4.60	8,030,000
Risk Management Fund					
COPs Series A 1993	01/06/93	Variable			20,800,000
Parking Facilities					
COPs Series 2001A - 1991 Morgan St. Refunding	07/15/01	5.40	-	6.88	8,000,000
American Tobacco Parking Facilities					
COPs Series 2003	08/15/03	1.50	-	6.40	14,000,000
COPs Series 2005 - Multi-purpose / refunded COPs 95, 97	05/01/05	3.25	-	5.25	<u>35,790,000</u>
Total Certificates of Participation					\$ <u>109,950,000</u>

Retired to Date	Principal Balance June 30, 2005	Principal Debt Service Requirements Fiscal Year 2005-2006		Balance June 30, 2006
		Principal	Interest	
\$ <u>1,118,887</u>	\$ <u>1,110,123</u>	\$ <u>547,028</u>	\$ <u>55,506</u>	\$ <u>563,095</u>
<u>56,009</u>	<u>307,911</u>	<u>50,943</u>	<u>15,396</u>	<u>256,968</u>
\$ <u>63,094,374</u>	\$ <u>193,525,000</u>	\$ <u>15,755,000</u>	\$ <u>8,055,094</u>	\$ <u>177,770,004</u>
\$ -	\$ 10,500,000	\$ 700,000	\$ Variable	\$ 9,800,000
4,235,000	12,530,000	720,000	607,273	11,810,000
<u>2,970,000</u>	<u>19,030,000</u>	<u>840,000</u>	<u>905,643</u>	<u>18,190,000</u>
\$ <u>7,205,000</u>	\$ <u>42,060,000</u>	\$ <u>2,260,000</u>	\$ <u>1,512,916</u>	\$ <u>39,800,000</u>
\$ 1,600,000	\$ 1,655,000	\$ 240,000	\$ 79,718	\$ 1,415,000
1,265,000	3,150,000	390,000	153,318	2,760,000
<u>4,060,000</u>	<u>11,600,000</u>	<u>1,015,000</u>	<u>577,570</u>	<u>10,585,000</u>
<u>6,925,000</u>	<u>16,405,000</u>	<u>1,645,000</u>	<u>810,606</u>	<u>14,760,000</u>
1,690,000	6,340,000	685,000	256,090	5,655,000
17,800,000	3,000,000	1,000,000	Variable	2,000,000
2,895,000	5,105,000	755,000	246,900	4,350,000
1,245,000	12,755,000	705,000	713,919	12,050,000
<u>-</u>	<u>35,790,000</u>	<u>3,225,000</u>	<u>1,761,662</u>	<u>32,565,000</u>
\$ <u>30,555,000</u>	\$ <u>79,395,000</u>	\$ <u>8,015,000</u>	\$ <u>3,789,177</u>	\$ <u>71,380,000</u>

CITY OF DURHAM, NORTH CAROLINA

Exhibit D-8

Schedule of Long-Term Debt
Year Ended June 30, 2005

Description	Principal Balance June 30, 2004	Additions	Retirements	Principal Balance June 30, 2005
General obligation bonds				
Housing	\$ 17,194,227	\$ -	\$ 1,270,331	\$ 15,923,896
Arts	5,551,663	-	304,367	5,247,296
Community Development	8,085,708	-	1,532,932	6,552,776
Street	42,102,275	-	2,612,870	39,489,405
Park and Recreation	20,358,179	-	1,321,133	19,037,046
Public Transportation	3,183,694	-	133,154	3,050,540
Urban Trails	2,478,728	-	143,958	2,334,770
Water and sewer	80,195,156	-	6,268,573	73,926,583
Transit	363,920	-	56,009	307,911
Solid waste	28,132,221	-	1,587,567	26,544,654
Civic Center	1,654,229	-	544,106	1,110,123
Total general obligation bonds	209,300,000	-	15,775,000	193,525,000
Revenue bonds				
Durham Hosiery Mill (1)	2,480,000	-	-	2,480,000
Water & sewer	44,235,000	-	2,175,000	42,060,000
Total revenue bonds	46,715,000	-	2,175,000	44,540,000
Certificates of participation				
1993A Risk COPs	4,000,000	-	1,000,000	3,000,000
1995 Multi-Purpose	3,280,000	-	3,280,000	-
1996A Refunding police headquarters	1,885,000	-	230,000	1,655,000
1996B Refunding Fire Station #2 and				
1997B multi pupose	5,045,000	-	5,045,000	-
Public Works Service Center	3,520,000	-	370,000	3,150,000
1998 Refunding water treatment and				
ballpark	7,005,000	-	665,000	6,340,000
2001 Multi-Purpose	18,445,000	-	1,740,000	16,705,000
2003 American Tobacco	13,460,000	-	705,000	12,755,000
2005 Multi-Purpose	-	35,790,000	-	35,790,000
Total certificates of participation	56,640,000	35,790,000	13,035,000	79,395,000
Accrued compensated absences	8,638,737	4,821,331	3,897,645	9,562,423
Notes payable to State of North Carolina	10,664,476	-	1,619,476	9,045,000
Notes payable to Durham County	31,657,753	-	73,155	31,584,598
Total long-term debt	\$ 363,615,966	\$ 40,611,331	\$ 36,575,276	\$ 367,652,021
(1) See note II. C.				

CITY OF DURHAM, NORTH CAROLINA

Table 1

Government-wide Expenses by Function

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Function:				
General government	\$ 12,111,011	\$ 10,642,518	\$ 12,717,711	\$ 13,626,812
Public safety	59,361,726	66,293,406	61,588,541	66,969,281
Development	13,695,429	15,541,799	17,632,214	18,876,960
General services	22,568,784	21,753,989	25,251,208	26,362,967
Parks and recreation	8,332,950	7,917,964	8,446,528	9,343,854
Streets and highways	10,818,417	11,525,712	11,750,857	11,907,139
Interest on long-term debt	8,008,197	4,514,256	7,435,648	6,689,582
Nondepartmental	2,001,504	2,415,203	2,227,277	-
Water and sewer	44,126,403	45,496,522	47,013,558	45,292,921
Parking facilities	1,993,515	1,635,770	1,686,687	1,526,711
Transit	11,647,698	13,002,333	13,275,160	15,174,683
Solid waste disposal	9,842,653	8,413,789	8,644,089	8,643,033
Civic center	1,736,560	1,642,942	1,671,105	1,767,318
Ballpark	2,046,787	1,871,202	1,804,271	1,691,888
Storm water management	4,809,665	5,150,677	4,767,517	5,748,296
Total	<u>\$ 213,101,299</u>	<u>\$ 217,818,082</u>	<u>\$ 225,912,371</u>	<u>\$ 233,621,445</u>

This is the fourth year of the presentation of government-wide expenses under GASB 34.

This table will be expanded as time passes until it encompasses 10 years.

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CITY OF DURHAM, NORTH CAROLINA

Table 2

Government-wide Revenues

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Program revenues:				
Charges for services	\$ 90,729,394	\$ 94,692,743	\$ 95,556,703	\$ 107,600,922
Operating grants and contributions	9,574,440	20,631,655	21,059,142	20,458,695
Capital grants and contributions	<u>4,105,514</u>	<u>12,711,025</u>	<u>2,391,601</u>	<u>7,531,985</u>
Total program revenues	<u>104,409,348</u>	<u>128,035,423</u>	<u>119,007,446</u>	<u>135,591,602</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes	73,896,587	76,825,577	82,015,884	89,217,673
Property taxes, levied for civic center	1,090,958	1,214,134	1,265,240	1,393,137
Sales taxes	23,967,096	27,808,610	30,318,173	33,683,383
Taxes passed through from the State	-	-	-	9,100,312
Intangible taxes	1,574,734	-	-	-
Hotel/motel and rental vehicle tax	1,513,317	1,527,260	1,502,605	1,611,522
Cable television franchise fee	1,544,792	1,533,682	1,608,339	1,852,094
Business licenses	1,713,350	2,116,817	1,764,572	2,944,189
Grants, contributions and taxes passed through from the State not restricted to specific programs	5,863,538	8,579,402	8,596,387	-
Unrestricted investment and rental earnings	4,387,403	1,409,937	273,959	2,030,634
Miscellaneous	<u>341,363</u>	<u>1,008,797</u>	<u>312,886</u>	<u>868,847</u>
Total general revenues	<u>115,893,138</u>	<u>122,024,216</u>	<u>127,658,045</u>	<u>142,701,791</u>
Total	<u>\$ 220,302,486</u>	<u>\$ 250,059,639</u>	<u>\$ 246,665,491</u>	<u>\$ 278,293,393</u>

This is the fourth year of the presentation of government-wide revenues under GASB 34.

This table will be expanded as time passes until it encompasses 10 years.

CITY OF DURHAM, NORTH CAROLINA

General Government Expenditures By Function

Last Ten Fiscal Years

Fiscal Year Ended June 30,		Governance		Public Protection		Quality of Life		Economic Development		Administrative and Support Services
1996	\$	1,771,585	\$	41,388,152	\$	14,862,700	\$	5,744,231	\$	2,550,058
1997		1,957,463		43,427,346		16,204,759		6,333,502		2,676,725
1998		2,484,546		42,998,297		19,152,496		6,229,413		3,085,468
		Governance		Public Protection		Community Services and Development		Administrative and Support Services		City Store
1999	\$	3,426,119	\$	43,417,660	\$	32,782,628	\$	2,221,147	\$	2,311
2000		5,101,193		50,662,297		36,282,633		3,270,245		-
2001		4,250,583		52,968,209		43,334,824		3,719,618		-
2002		4,178,669		52,046,440		46,069,735		7,142,857		-
2003		3,903,665		53,883,983		47,209,385		6,058,086		-
2004		4,349,172		57,124,399		46,535,260		6,716,041		-
2005		4,929,131		60,394,422		49,164,046		6,797,812		-

Notes:

Beginning with the year ended June 30, 1999, the Solid Waste Collections Divisions of the Solid Waste Disposal Fund have been moved to the General Fund Waste Management Fund. Certain reclassifications were made for the year ended June 30, 1999, in order to reflect changes in the organizational structure.

General Fund expenditures only.

Table 3

<u>Information and Technology</u>	<u>City Store & Cemetery Operations</u>	<u>Non- Departmental Charges</u>	<u>General Debt Service</u>	<u>Total</u>
\$ 2,103,736	\$ 992,889	\$ 2,870,773	\$ 7,728,615	\$ 80,012,739
6,816	1,064,650	3,655,533	15,079,270	90,406,064
1,712	918,588	2,881,067	8,075,338	85,826,925

<u>Cemetery Operations</u>	<u>Non- Departmental Charges</u>	<u>General Debt Service</u>	<u>Total</u>
\$ 833,010	\$ 7,540,177	\$ 8,437,267	\$ 98,660,319
794,453	7,384,907	9,658,463	113,154,191
600,722	5,849,920	10,674,979	121,398,855
493,602	5,196,655	14,262,539	129,390,497
-	5,772,838	34,150,349	150,978,306
-	6,957,139	22,932,848	144,614,859
-	8,285,258	14,431,831	144,002,500

CITY OF DURHAM, NORTH CAROLINA

General Government Revenues By Source

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>		<u>Property Taxes</u>		<u>Other Local Taxes</u>		<u>Licenses and Permits</u>		<u>Intergovern- mental Revenues</u>		<u>Investment and Rental Income</u>
1996	\$	47,028,960	\$	17,663,731	\$	3,768,503	\$	13,080,815	\$	630,131
1997		48,622,671		22,526,559		3,320,885		13,693,912		549,101
1998		54,942,721		22,603,661		4,289,501		14,740,340		2,201,081
1999		58,819,697		25,190,547		4,719,543		14,938,900		1,323,894
2000		63,251,166		25,613,851		5,100,928		15,968,499		1,802,279
2001		67,233,097		26,797,170		6,482,505		17,250,240		2,885,734
2002		73,592,031		26,761,288		6,846,021		12,877,034		2,141,945
2003		77,701,968		29,394,128		7,149,386		15,695,500		1,410,606
2004		80,791,895		31,820,778		7,081,781		15,704,841		273,959
2005		89,412,968		35,294,905		9,082,272		15,944,703		2,036,320

General Fund revenues only.

Table 4

	<u>Charges for Services</u>		<u>Intragovern- mental Services</u>		<u>Assessments</u>		<u>Other</u>		<u>Total</u>
\$	4,447,732	\$	488,439	\$	145,239	\$	673,064	\$	87,926,614
	4,303,674		814,746		218,848		678,511		94,728,907
	5,216,937		789,374		258,707		560,665		105,602,987
	7,567,760		1,034,720		112,959		515,564		114,223,584
	7,840,699		1,534,612		204,743		348,605		121,665,382
	7,579,509		301,432		354,308		634,317		129,518,312
	7,802,090		711,930		363,424		1,432,989		132,528,752
	8,712,225		666,403		264,072		1,647,543		142,641,831
	7,915,678		782,929		34,876		2,197,127		146,603,864
	8,087,801		763,886		374,984		1,931,933		162,929,772

CITY OF DURHAM, NORTH CAROLINA

Property Tax Levies And Collections

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Tax Year</u>	<u>Current Tax Levy</u>	<u>Current Year Levy Collections</u>	<u>Percent Collected</u>	<u>Prior Years' Levies Collections</u>
1996	1995	\$ 47,670,688	\$ 46,014,629	96.53 %	\$ 1,839,593
1997	1996	49,771,576	47,957,707	96.36	1,355,265
1998	1997	56,025,475	53,974,583	96.34	1,688,341
1999	1998	59,499,131	57,394,379	96.46	1,889,752
2000	1999	65,075,207	62,069,180	95.38	1,758,984
2001	2000	69,248,888	65,977,830	95.28	1,863,627
2002	2001	74,641,232	72,213,931	96.75	2,505,878
2003	2002	78,501,801	76,435,831	97.37	2,364,279
2004	2003	81,438,376	79,681,563	97.84	2,273,102
2005	2004	90,014,788	88,266,078	98.06	1,521,194

Table 5

<u>Total Collections During Year</u>		<u>Percent of Total Collections to Current Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Current Tax Levy</u>
\$	47,854,222	100.39 %	\$ 5,059,883	10.61 %
	49,312,972	99.08	5,269,738	10.59
	55,662,924	99.35	4,900,888	8.75
	59,284,131	99.64	5,460,852	9.18
	63,828,164	98.08	3,262,731	5.01
	67,841,457	97.97	4,978,600	7.19
	74,719,809	100.11	4,708,294	6.31
	78,800,110	100.38	3,508,319	4.47
	81,954,665	100.63	4,021,017	4.94
	89,787,272	99.75	4,216,559	4.68

CITY OF DURHAM, NORTH CAROLINA
Assessed And Estimated Actual Value Of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30,	Tax Year	Real Property	Personal Property	Public Utility Valuation	Total Assessed Value	Percent of Assessed Value to Estimated Actual Value
1996	1995	\$ 5,465,634,203	\$ 1,208,629,161	\$ 301,829,650	\$ 6,976,093,014	100 %
1997	1996	5,680,515,297	1,236,822,200	301,258,000	7,218,595,497	100
1998	1997	6,328,627,875	1,259,266,485	271,213,936	7,859,108,296	100
1999	1998	6,707,056,483	1,618,569,164	302,940,291	8,628,565,938	100
2000	1999	7,124,010,893	1,989,246,124	312,698,355	9,425,955,372	100
2001	2000	7,519,528,085	2,078,014,124	278,276,908	9,875,819,117	100
2002	2001	11,170,961,357	2,284,944,453	379,319,613	13,835,225,423	* 100
2003	2002	11,652,462,581	2,360,817,611	344,969,617	14,358,249,809	100
2004	2003	12,118,323,714	2,410,585,658	244,969,617	14,773,878,989	100
2005	2004	12,510,330,734	2,489,718,523	325,000,000	15,325,049,257	100

*Revaluation of taxable property occurred January 1 of the tax year.

CITY OF DURHAM, NORTH CAROLINA

Table 7

Property Tax Rates and Tax Levies -
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Rates (Per \$100 of Assessed Valuation)			Adjusted Tax Levies		
	City of Durham	Durham County	Maximum Combined Tax Rate	City of Durham	Durham County	Total Tax Levies
1996	\$ 0.6800	\$ 0.9427	\$ 1.6227	\$ 47,670,688	\$ 110,440,670	\$ 158,111,358
1997	0.6800	0.9597	1.6397	49,771,576	112,646,264	162,417,840
1998	0.6800	0.9597	1.6397	56,025,475	117,475,759	173,501,234
1999	0.6800	0.9297	1.6097	59,499,131	58,749,780	118,248,911
2000	0.6800	0.9297	1.6097	65,075,207	127,318,614	192,393,821
2001	0.6900	0.9297	1.6197	69,248,888	130,126,495	199,375,383
2002	0.5340	0.7290	1.2630	74,641,232	136,643,848	211,285,080
2003	0.5450	0.7530	1.2980	78,501,801	148,904,124	227,405,925
2004	0.5450	0.7630	1.3080	81,438,376	154,410,106	235,848,482
2005	0.5830	0.7900	1.3730	90,014,788	163,927,512	253,942,300

CITY OF DURHAM, NORTH CAROLINAPrincipal Taxpayers
2005 Tax Year

Table 8

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
International Business Machines	Manufacturer	\$ 162,709,997	1.10 %
Verizon South	Communications	157,591,904	1.07
Glaxo Wellcome, Inc.	Manufacturer	116,599,628	0.79
Duke Power Company	Utility	106,018,904	0.72
Cree Research	Manufacturer	99,050,796	0.67
South Point Mall LLC	Real Estate	82,864,225	0.56
CMD Properties Inc.	Real Estate	67,617,206	0.46
VAC Limited Partnership	Real Estate	66,579,533	0.45
Highwoods/Forsyth Limited	Real Estate	54,783,900	0.37
Northgate Associates	Real Estate	<u>40,513,527</u>	<u>0.27</u>
		\$ <u><u>954,329,620</u></u>	<u><u>6.46</u></u> %

Source: Durham County Tax Assessor

CITY OF DURHAM, NORTH CAROLINASpecial Assessments Billings and Collections
Last Ten Fiscal Years

Table 9

<u>Fiscal Year Ended June 30,</u>	<u>Special Assessment Billings (1)</u>	<u>Special Assessment Collections (2)</u>
1996	\$ 1,982,419	\$ 2,116,976
1997	2,466,208	2,089,120
1998	1,046,949	2,367,993
1999	990,613	1,436,581
2000	1,466,628	1,448,120
2001	1,851,626	1,758,456
2002	1,259,628	1,669,355
2003	499,350	1,260,952
2004	124,334	810,473
2005	1,080,387	1,317,976

- (1) Amounts represent initial billings. The property owner may elect to pay the entire assessment at once or to pay it off in installments for up to eight years.
- (2) Amounts represent all collections against amounts billed. Includes prepayments, prior billings and foreclosures.

CITY OF DURHAM, NORTH CAROLINA

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population	Taxable Property Assessed Value	Gross Bonded Debt (1)
1996	150,782	\$ 6,976,093,014	\$ 182,630,000
1997	167,349	7,218,595,497	180,200,000
1998	172,004	7,859,108,296	188,585,000
1999	177,650	8,654,655,275	206,100,000
2000	187,035	9,425,955,372	208,380,000
2001	192,681	9,875,819,117	224,655,000
2002	194,405	13,835,225,423	231,240,000
2003	195,231	14,358,249,809	219,580,000
2004	203,778	14,773,878,989	209,300,000
2005	206,778	15,325,049,357	193,525,000

- Note: (1) Does not include special assessment bonds or revenue bonds.
(2) These amounts include the general obligation bonds that are being repaid from solid waste, civic center, transit, and water and sewer revenues.

Except for 1996 and 2000, population estimates are as reported by the City of Durham Department of Planning and Community Development.

The Office of State Planning established the 1996 population as 150,782.

The United States Bureau of Census established the 2000 population as 192,681.

Table 10

Debt Payable from Enterprise Revenues (2)		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
\$	133,306,231	\$ 49,323,769	0.7	327
	132,329,421	47,870,579	0.7	286
	140,660,803	47,924,197	0.6	279
	151,843,282	54,256,718	0.6	305
	138,375,762	70,004,238	0.7	374
	139,100,810	85,554,190	0.9	444
	127,908,843	103,331,157	0.7	532
	118,073,024	101,506,976	0.7	520
	110,345,526	98,954,474	0.7	486
	101,889,270	91,635,730	0.6	443

CITY OF DURHAM, NORTH CAROLINA

Table 11

Annual Debt Service Expenditures for General Bonded Debt Compared with General Government Expenditures
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Service Expenditures			General Government Expenditures	Percent of Debt Service to General Government Expenditures
	Principal	Interest and Fiscal Charges	Total		
1996	\$ 2,351,025	\$ 2,142,146	\$ 4,493,171	\$ 80,012,739	5.62 %
1997	2,707,190	2,419,679	5,126,869	90,406,064	5.67
1998	2,797,403	2,701,655	5,499,058	85,826,925	6.41
1999	3,005,471	2,547,917	5,553,388	98,660,319	5.63
2000	3,769,968	3,371,520	7,141,488	113,154,191	6.31
2001	4,139,951	4,207,954	8,347,905	121,398,855	6.88
2002	5,106,862	4,549,714	9,656,576	129,390,497	7.46
2003	6,271,058	5,455,687	11,726,745	150,978,306	7.77
2004	7,003,470	4,676,420	11,679,890	144,614,859	8.08
2005	7,318,744	4,989,922	12,308,666	144,002,500	8.55

CITY OF DURHAM, NORTH CAROLINA

Table 12

Computation of Legal Debt Margin
June 30, 2005

Assessed Value - January 1, 2005		\$	<u><u>15,325,049,257</u></u>
Debt Limit - 8% of Assessed Value		\$	1,226,003,941
Gross Bonded Debt			
Outstanding general obligation bonds			
Civic center bonds	\$	1,110,123	
General government bonds		91,635,730	
Sewer utility bonds		65,151,514	
Solid waste disposal bonds		26,544,654	
Transit bonds		307,910	
Water utility bonds		<u>8,775,069</u>	
Total general obligation bonds outstanding			193,525,000
Amounts due under certificates of participation and other financing agreements			79,395,000
Bonds authorized - unissued			
Housing	\$	11,286,000	
Parks and Recreation		2,603,000	
Public Transportation		1,715,000	
Streets		<u>11,168,000</u>	
Total general obligation bonds authorized - unissued			<u>26,772,000</u>
Total gross bonded debt			299,692,000
Statutory Deductions			
Bonded debt included in gross bonded debt and incurred for water or power purposes			<u>8,775,069</u>
Net bonded debt applicable to debt limit			<u>290,916,931</u>
Legal Debt Margin		\$	<u><u>935,087,010</u></u>

CITY OF DURHAM, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2005

Table 13

	<u>Bonded Debt*</u>	<u>Percentage Applicable to City of Durham Taxpayers</u>	<u>City of Durham Taxpayers' Share of Debt</u>	<u>City's Per Capita Share</u>
Direct -				
City of Durham	\$ 184,548,417	100.00 %	\$ 184,548,417	
Overlapping -				
Durham County	\$ 215,664,107	76.76 %	<u>165,537,819</u>	
			<u>\$ 350,086,236</u>	<u>\$ 1,693</u>

* Excludes self supporting debt or sinking funds.

Note: The percentage applicable to the City of Durham is based on the January 2005 gross assessed valuation of the City compared with that of the County.

CITY OF DURHAM, NORTH CAROLINA

Table 14

Revenue Bond Coverage

Urban Redevelopment Mortgage Revenue Bonds

Fiscal Year Ended June 30,	Gross Revenues		Expenditures	Net Revenue Available for Debt Service		Debt Service Requirements			Coverage					
						Principal	Interest	Total						
1996	\$	452,766	\$	2,100	\$	450,666	\$	35,000	\$	416,250	\$	451,250	100	%
1997		379,356		7,650		371,706		145,000		413,625		558,625	67	
1998		427,195		14,129		413,066		70,000		401,625		471,625	88	
1999		427,229		76,558		350,671		70,000		396,563		466,563	75	
2000		470,650		4,513		466,137		45,000		392,250		437,250	107	
2001		427,304		4,501		422,803		50,000		387,938		437,938	97	
2002		357,852		4,591		353,261		55,000		384,000		439,000	80	
2003		198,824		4,560		194,264		-		186,000		186,000	104	
2004		210,039		4,500		205,539		-		186,000		186,000	111	
2005		269,676		4,500		265,176		-		186,000		186,000	143	

CITY OF DURHAM, NORTH CAROLINA

Demographic Statistics
Last Ten Fiscal Years

Table 15

Fiscal Year Ended June 30,	Population (1)	Per Capita Income (2)	School Enrollment	Unemployment Rate (2)
1996	150,782	\$ 25,368	27,396	3.2 %
1997	167,349	25,489	28,902	2.8
1998	172,004	27,593	28,772	2.2
1999	177,650	30,600	29,193	2.2
2000	187,035	31,929	29,723	2.2
2001	192,681	34,972	29,816	2.6
2002	194,405	32,537	30,577	5.1
2003	195,231	31,261	30,821	5.6
2004	203,778	33,490	30,889	3.9
2005	206,778	31,129	30,974	4.6

- Sources:
- (1) Except for 1996 and 2000, population estimates are as reported by the City of Durham Department of Planning and Community Development. The United States Bureau of Census established the 2000 population as 192681. The Office of State Planning established the 1996 population as 150,782.
 - (2) North Carolina Department of Administration (Durham County 1995-1996). MSA Raleigh, Durham, Chapel Hill-Woods and Poole Economics, Inc. 1998 MSA profile.

CITY OF DURHAM, NORTH CAROLINA

Table 16

Property Value, Construction and Bank Deposits
Last ten fiscal years

Fiscal Year Ended June 30,	Commercial Construction		Residential Construction		Bank Deposits (in thousands) (2)	Total Assessed Property Value (100% of Estimated Actual) (3)
	Number of Permits (1)	Value (1)	Number of Permits (1)	Value (1)		
1996	666	\$ 142,568,158	1,545	\$ 117,001,756	\$ 2,219,572	\$ 6,976,093,014
1997	721	250,102,220	1,725	182,822,465	2,509,869	7,218,595,497
1998	853	352,177,118	2,222	232,476,067	2,375,940	7,859,108,296
1999	764	228,942,121	2,368	298,987,808	2,408,904	8,628,565,938
2000	779	196,296,361	2,094	283,371,406	2,565,878	9,425,955,372
2001	884	436,453,045	2,457	324,363,581	198,838	9,875,819,117
2002	879	243,107,389	2,550	318,120,298	221,794	13,835,225,423
2003	824	404,245,910	2,582	333,824,989	311,101	14,358,249,809
2004	748	251,983,160	2,750	398,907,022	353,053	14,773,878,989
2005	826	354,230,965	2,840	396,088,642	380,735	15,325,049,257

(1) Durham City Inspections Department

(2) For all years, this information was obtained from the State Banking Commission.

(2) In 2001, Central Carolina Bank moved its headquarters out of Durham.

(3) Durham City/County Tax Collector

CITY OF DURHAM, NORTH CAROLINA

Table 17

Miscellaneous Statistics

June 30, 2005

Date of incorporation	April 10, 1869
Form of government	Council/Manager
Area	102.97 square miles
Miles of streets	661.29 miles
Number of street lights (1)	15,223
Police	
Stations	4
Headquarters (Downtown)	1
Officers	482
Fire	
Stations	14
Headquarters (Downtown)	1
Officers	301
Education - Durham Public Schools	
Number of elementary schools	28
Number of middle schools	8
Number of high schools	7
Number of alternative school sites	1
Number of hospital school sites	1
(The hospital school's services are designed to facilitate the continuation of academic instruction to children who are hospitalized or out of the traditional school setting.)	
Full-time school personnel	
Teachers	2,300
Support staff	1,500
Municipal Water Department	
Number of consumers	75,943
Average daily gallons pumped (1)	26,970,000
Water mains (1)	1,182
Sewers	
Sanitary sewers (1)	1,200 miles
Storm sewers (1)	615 miles
Building permits issued	3,666
Recreation and culture	
Number of parks	65
Number of libraries	8
Number of volumes	525,018
City employees	
Permanent	2,248
Part-time (1)	115

(1) Approximate amounts reflected.

CITY OF DURHAM, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE AWARDS

AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT FOR THE YEAR ENDED JUNE 30, 2005

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		
			Prior Years	Current Year	Total
FEDERAL GRANTS:					
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
Direct Programs:					
Entitlement Grants:					
95-96 Grant	14.218		\$ 1,729,004	\$ 34,227	\$ 1,763,231
97-98 Grant	14.218		1,648,594	7,750	1,656,344
98-99 Grant	14.218		1,768,139	4,955	1,773,094
00-01 Grant	14.218		1,447,769	14,181	1,461,950
01-02 Grant	14.218		1,816,138	24,938	1,841,076
02-03 Grant	14.218		1,573,954	219,872	1,793,826
03-04 Grant	14.218		1,247,495	920,713	2,168,208
04-05 Grant	14.218		-	1,092,742	1,092,742
Total Entitlement Grants			11,231,093	2,319,378	13,550,471
Home Investment Partnership Agreements:					
93-94 Home Investment	14.239		690,381	16,000	706,381
95-96 Home Investment	14.239		883,599	888	884,487
96-97 Home Investment	14.239		736,873	70,050	806,923
99-00 Home Investment	14.239		901,593	170,249	1,071,842
00-01 Home Investment	14.239		893	890,000	890,893
01-02 Home Investment	14.239		538,772	26,040	564,812
03-04 Home Investment	14.239		497,398	34,345	531,743
04-05 Home Investment	14.239		-	502,553	502,553
Total Home Investment Partnership Agreements			4,249,509	1,710,125	5,959,634
HUD - Remainder	14.401		161,155	32,384	193,539
00/01 HUD - Fair Housing Assistance Program	14.401		123,943	14,365	138,308
01/02 HUD - Fair Housing Assistance Program	14.401		65,414	60,601	126,015
Total HUD Fair Housing Assistance			350,512	107,350	457,862
HUD - Lead Base Paint Hazard Control	14.900		444,684	937,419	1,382,103
HUD - Economic Development Initiative					
Special Projects-02/03	14.864		92,903	157,097	250,000
Total U. S. Department of Housing and Urban Development			16,368,701	5,231,369	21,600,070

CITY OF DURHAM, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE AWARDS

AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT FOR THE YEAR ENDED JUNE 30, 2005

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		
			Prior Years	Current Year	Total
U.S. DEPARTMENT OF JUSTICE:					
Passed-through North Carolina Department of Crime Control and Public Safety:					
Title V-Durham After School Program-04	16.548		\$ 21,263	\$ 58,263	\$ 79,526
Project Safe Neighborhood	16.710		-	85,603	85,603
Juvenile Accountability Incentive Block Grant	16.523		9,993	2,470	12,463
WMD Terrorism Preparedness	16.614		-	19,989	19,989
Direct Programs:					
City Wide Domestic Violence	16.590		1,694,951	199,123	1,894,074
03 Local Law Enforcement Block Grant	16.592		160,819	142,909	303,728
04 Local Law Enforcement Block Grant	16.592		115,780	36,231	152,011
FBI-RDAVCFTF-Fugitive Task Force Initiative	16.30X		28,965	62,205	91,170
Federal Assets Forfeiture Funds - 02/03	16.000		13,444	18,850	32,294
Federal Assets Forfeiture Funds - 03/04	16.000		4,700	81,713	86,413
Federal Assets Forfeiture Funds - 04/05	16.000		-	73,935	73,935
NECD Weed and Seed Initiative	16.595		6,455	150,704	157,159
NECD Weed and Seed Initiative	16.595		-	30,609	30,609
Total U. S. Department of Justice			2,056,370	962,604	3,018,974
U.S. DEPARTMENT OF LABOR:					
Passed-through North Carolina Department of Commerce:					
WIA/JTPA - Admin - 03/05	17.255		16,831	168,243	185,074
WIA/JTPA - Admin - 04/06	17.255			2,977	2,977
WIA/JTPA - Admin - 04/06	17.255			3,041	3,041
WIA/JTPA - Admin - 04/06	17.255		-	96,575	96,575
			16,831	270,836	287,667
WIA - Adult - 03/05	17.258		266,938	184,912	451,850
WIA - Adult - 04/06	17.258		-	26,796	26,796
WIA - Adult - 04/06	17.258		-	347,409	347,409
WIA - Dislocated Workers - 03/05	17.260		650,695	257,137	907,832
WIA - Dislocated Workers - 04/06	17.260		-	71,897	71,897
WIA - Dislocated Workers - 04/06	17.260		-	255,578	255,578
			917,633	1,143,729	2,061,362
WIA - Youth - 03/05	17.259		244,914	61,064	305,978
WIA - Youth - 04/06	17.259		-	295,307	295,307
			244,914	356,371	601,285

CITY OF DURHAM, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE AWARDS

AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT FOR THE YEAR ENDED JUNE 30, 2005

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		
			Prior Years	Current Year	Total
WIA - Special Incentives - 02/04	17.267		\$ 165,070	\$ 5,867	\$ 170,937
WIA - Special Incentives - 03/05	17.267		130,587	194,074	324,661
WIA - Special Incentives - 04/06	17.267		-	216,863	216,863
			<u>295,657</u>	<u>416,804</u>	<u>712,461</u>
Total U. S. Department of Labor			<u>1,475,035</u>	<u>2,187,740</u>	<u>3,662,775</u>
U.S. DEPARTMENT OF TRANSPORTATION:					
Direct Programs					
Capital and Operating Assistance:					
Federal Transit Administration -					
Section 9 - FY 02/03	20.507		-	2,395,362	2,395,362
Section 9 - FY 02/03	20.507		-	227,526	227,526
Section 9 - FY 02/03	20.507		<u>2,267,499</u>	<u>650</u>	<u>2,268,149</u>
Total Sec 9 Capital and Operating Assistance			<u>2,267,499</u>	<u>2,623,538</u>	<u>4,891,037</u>
Federal Transit Administration -					
Section 3 Capital - FY 00/01	20.500		3,641,398	3,911,694	7,553,092
Total Sec 3 Capital and Operating Assistance			<u>3,641,398</u>	<u>3,911,694</u>	<u>7,553,092</u>
Section 8	20.505		100,116	20,139	120,255
Section 8 Planning - FY 00/01	20.505		<u>-</u>	<u>79,562</u>	<u>79,562</u>
Total Sec 8 Capital and Operating Assistance			<u>100,116</u>	<u>99,701</u>	<u>199,817</u>
Total FTA Section 3,8,9 Capital Grants			<u>6,009,013</u>	<u>6,634,933</u>	<u>12,643,946</u>
Passed-through North Carolina Department of Transportation:					
Urban Dev. Sec. 104(f) 2002	20.509	None	<u>-</u>	<u>685,551</u>	<u>685,551</u>
Total Passed-through N.C. Department of Transportation			<u>-</u>	<u>685,551</u>	<u>685,551</u>
Total U. S. Department of Transportation			<u>6,009,013</u>	<u>7,320,484</u>	<u>13,329,497</u>

U.S. DEPARTMENT OF THE INTERIOR:

Passed-through North Carolina Department of Cultural Resources:

CITY OF DURHAM, NORTH CAROLINA

SCHEDULE OF FEDERAL AND STATE AWARDS

AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT FOR THE YEAR ENDED JUNE 30, 2005

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		
			Prior Years	Current Year	Total
Longmeadow Park Renovations	15.919	None	\$ 22,447	\$ 168,209	\$ 190,656
Total U. S. Department of the Interior			22,447	168,209	190,656
DEPARTMENT OF HOMELAND SECURITY					
Passed-through North Carolina Department of Crime Control and Public Safety					
DHS Mobile Data Grant	97.039	701 53621500096 1510562	-	98,000	98,000
Total Department of Homeland Security (FEMA)			-	98,000	98,000
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION:					
Direct Programs:					
EEOC Enforcement 01/02	30.011		28,600	1,382	29,982
EEOC Enforcement 02/03	30.011		28,500	16,709	45,209
Total U. S. Equal Employment Opportunity Commission			119,350	18,091	137,441
TOTAL FEDERAL PROGRAMS:			26,050,916	15,986,497	42,037,413
STATE GRANTS:					
NORTH CAROLINA DEPARTMENT OF TRANSPORTATION:					
Powell Bill Funds			-	5,843,226	5,843,226
NCDOT - State Maintenance - Transit		9.9051903	-	2,424,972	2,424,972
NCDOT Intern Program - FY 03/04			20,946	9,019	29,965
Total N. C. Department of Transportation			20,946	8,277,217	8,298,163
NORTH CAROLINA DEPARTMENT OF REVENUE:					
05 Controlled Substance Tax Distribution		None	-	152,089	152,089
Total N. C. Department of Revenue			-	152,089	152,089
TOTAL STATE PROGRAMS:			20,946	8,429,306	8,450,252
TOTAL FINANCIAL ASSISTANCE			\$ 26,071,862	\$ 24,415,803	\$ 50,487,665

CITY OF DURHAM, NORTH CAROLINA

Notes to the Schedule of Federal and State Awards

For the year ended June 30, 2005

Note 1 - Basis of Presentation

The accompanying schedule of federal and state awards includes the federal and state grant activity of the City of Durham and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipients

Of the federal expenditures presented in the schedule, the City of Durham provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	\$ 731,118
Federal Transit Administration - Section 8	20.507	64,053
Home Program Grants	14.239	229,186
HUD - Lead Base Paint Hazard Control	14.900	904,315
Urban Development Section 104(f) Grant	20.205	93,021
Workforce Incentive Act - Adult	17.258	562,094
Workforce Incentive Act - Dislocated Worker	17.260	587,653
Workforce Incentive Act - Youth	17.259	<u>356,368</u>
		\$ <u><u>3,527,808</u></u>

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DIXON HUGHES PLLC
Certified Public Accountants and Advisors

**Report On Compliance and Other Matters and On Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards**

Honorable Mayor and City Council
City of Durham
Durham, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Durham, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the City of Durham, North Carolina's basic financial statements and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Durham's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Durham's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Durham's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01.1 to 2005-01.4. We noted other internal control and operating matters that we have reported to management in a separate letter dated October 28, 2005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe that the item 2005-1 described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 28, 2005
Sanford, North Carolina

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CITY OF MEDICINE

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Report On Compliance With Requirements Applicable To Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

Honorable Mayor and City Council
City of Durham
Durham, North Carolina

Compliance

We have audited the compliance of the City of Durham, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Durham's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Durham's management. Our responsibility is to express an opinion on the City of Durham's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Durham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Durham's compliance with those requirements.

In our opinion, the City of Durham complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as items 2005-02, 2005-04 and 2005-07.

Internal Control Over Compliance

The management of the City of Durham is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Durham's internal control over compliance with requirements that could have a direct and material effect on each of its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Durham's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-03, 2005-05 and 2005-06.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Dixon Hughes Puc". The signature is written in a cursive, flowing style.

*October 28, 2005
Sanford, North Carolina*



Report On Compliance With Requirements Applicable To Each Major State Program and Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

Honorable Mayor and City Council
City of Durham
Durham, North Carolina

Compliance

We have audited the compliance of the City of Durham, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2005. The City of Durham's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Durham's management. Our responsibility is to express an opinion on the City of Durham's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Durham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Durham's compliance with those requirements.

In our opinion, the City of Durham complied, in all material respects, with the requirements referred to above that are applicable to its major State programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Durham is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Durham's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Durham's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-05, 2005-06 and 2005-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended solely for the information of the audit committee, management, other within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dixon Hughes Puc". The signature is written in a cursive, flowing style.

October 28, 2005
Sanford, North Carolina

CITY OF DURHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *Yes*
- Reportable condition(s) identified that are not considered to be material weaknesses *Yes*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *Yes*
- Reportable condition(s) identified that are not considered to be material weaknesses *Yes*

Type of auditors' report issued on compliance for major federal programs *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 *Yes*

Identification of major federal programs:

CFDA Numbers	Name of Federal Programs or Cluster
20.507	Federal Transportation Section 9
20.500	Federal Transportation Section 3

Dollar threshold used to distinguish between Type A and Type B Programs \$ 479,590

Auditee qualified as low-risk auditee? *Yes*

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State program:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *Yes*

Type of auditors' report issued on compliance for a major State program *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act *No*

Identification of major State programs:

Name of State Programs

Powell Bill Funds
NCDOT – State Maintenance Transit

Section II - Financial Statement Findings

Finding - 2005-01.1

Reportable Condition - Material Weakness

Criteria: Strong and effective controls over accounts receivable can be extremely critical. Poor practice allows for situations in which accounts receivable balances are allowed to build up as accounts age. This has a direct negative impact on the City because this affects cash flow. Essentially, a strong control system over accounts receivable includes an accurate accounting system that maintains agreement between the subsidiary ledger and the general ledger, and effective review and follow-up on individual accounts on a monthly basis.

Condition: Accounts receivable as of the beginning of the year and prior year's revenue was overstated in the Public Safety Grants fund by \$257,747; HOME Program by \$184,897 and Lead Based Paint Program by \$97,988. Similarly, there was an instance where accounts receivable as of the beginning of the year and prior year's revenue were understated in the Transit Fund by \$2,507,846.

We also noted an instance where a grant receivable was not recorded for a grant reimbursement request that had not occurred, though the City was entitled to the funds in the amount of \$128,000.

Effect: Increased likelihood that an error or irregularity or other matter might occur and not be detected in a timely manner.

Section II - Financial Statement Findings (Continued)

Cause: Insufficient training or understanding of responsibilities in areas necessary to ensure proper year end cutoff, along with a lack of oversight or monitoring of detail. Certain general ledger receivable accounts are not reviewed on a periodic basis for reasonableness.

Recommendation: Within the applicable departments responsible for tracking accounts receivable procedures should be in effect to monitor such detail. The City should review its internal control procedures over cutoff and where necessary provide training to employees to ensure adequate knowledge of accounting principles applicable to ensure proper cutoff. The City should also review all general ledger accounts on a periodic basis for reasonableness.

Response: Grantee will provide to Accounting Services a formal statement of notice at year end to ensure that all eligible expenses that are incurred during the year are reflected in year end financial statements as revenue.

Finding 2005-01.2

Reportable Condition

Criteria: The fixed asset financial reporting system must be able to produce evidence to support the assertions that transactions have occurred and that all transactions that should be recorded have been recorded in the proper period. Those assertions include existence or occurrence, completeness, rights and obligations, valuation or allocation, presentation and disclosure.

Condition: Instances where changes in accounting for capital assets in prior years had not been reflected in the underlying subsidiary records. In some cases, assets on the subsidiary ledgers could not be located, while other assets that should have been included were missing from the detailed records. In addition, depreciation estimates were not properly or consistently calculated. This resulted in beginning of the year understatements of net assets in the Parking Facilities Fund by \$302,153 and the Ballpark Fund by \$192,181 and an overstatement of net assets in the Solid Waste Fund of \$139,667. Additionally, in the current year, certain infrastructure assets were undervalued.

Effect: Increased likelihood that an error or irregularity or other matter might occur and not be detected in a timely manner.

Cause: Insufficient attention and monitoring given to the tracking and reporting functions critical to the reporting of capital assets. The current depreciation calculation process requires a number of manual operations increasing the possibility of errors. Valuation on infrastructure asset additions was not reviewed with individuals instrumental in the determination of such costs.

Recommendation: Fixed asset processes need to be improved by becoming more automated and streamlined. The Finance Department needs to be included in all asset transaction notifications.

Response: Above items included in fiscal year 2005 financial statements as a prior period adjustment. The current depreciation process is being redefined in preparation for the new accounting system that will be effective July 1, 2006.

Finding 2005-01.3

Reportable Condition

Criteria: The financial reporting system must include all relevant information necessary to meet external reporting requirements to keep the financial statements from being misleading.

Section II - Financial Statement Findings (Continued)

Condition: Information of a conduit nature and pension date was not properly record in the 2004 basic financial statements The following items were noted:

- The Government-wide financial statement debt as of the beginning of the year was overstated by failing to record payments in a previous year related to the Durham Hosiery Mill of \$2,522,500.
- Government-wide financial statement net pension assets were understated by \$1,359,829 due to failure to record pension assets exceeding actuarially determined pension obligations as of the beginning of the year.

Effect: Incorrect overstatement of City debt and obligations.

Cause: Insufficient attention given to these areas in the financial reporting and review process.

Recommendation: Develop procedures to ensure the above items are properly accounted.

Response: Above items included in fiscal year 2005 financial statements as a prior period adjustment. A contact has been established with the Bank of New York to monitor and reconcile the bank statements for the Durham Hosiery Mill. The Law Enforcement Pension Trust Fund will be monitored to show correct amounts in the statement of Net Assets.

2005-01.4

Reportable Condition

Criteria: The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. This would apply to the reporting assertion of valuation over uncollectible account receivable balances.

Condition: Accounts receivable detail include amounts where the ability of collection was questionable. The following items were noted during the audit:

- Estimates for allowances for uncollectible accounts as of the beginning of the year were understated and revenues for prior years' overstated in the Solid Waste Fund by \$87,368.
- Current year receivables were not adequately reviewed for collectibility which resulted in an understatement of current year for allowances of uncollectible accounts.

Effect: Overstatement of accounts receivable.

Cause: Insufficient attention to ensure all receivables are valid and collectible.

Recommendation: The City review its procedures over collection of aging accounts and its procedures for providing allowances of those accounts it does not reasonably believe can be collected.

Response: The City will review its procedures over collection of aging accounts and its procedures for providing allowances of those accounts it does not reasonably believe can be collected.

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CITY OF DURHAM NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

Section III - Federal Award Findings and Questioned Costs

	Federal Program Information	Criteria or Specific Requirement	Considered a Material Weakness?	Questioned Costs*	Condition
2005-02	Lead-Based Paint Hazard Control Program CFDA # 14.900 U.S. Department of Housing and Urban Development	Subrecipient Monitoring	No	None	The grantee's contract with the subrecipients did not reflect the CFDA number as required. Additionally, the grantee's files did not have a prescribed checklist of items to monitor with regards to program operations and fiscal accountability.
2005-03	Lead-Based Paint Hazard Control Program CFDA # 14.900 U.S. Department of Housing and Urban Development	Internal Control	Yes	None	Expenditures incurred by subrecipients that were reimbursed by the grantee were not recorded to the proper period in accordance with Accounting Principles Generally Accepted in the U.S. (GAAP). Additionally, grant revenues related to these expenditures were not properly accrued.
2005-04	Lead-Based Paint Hazard Control Program CFDA # 14.900 U.S. Department of Housing and Urban Development	Reporting/ Cash Management	No	None	The grantee has inconsistently drawn down and reported expenditures in the quarterly Financial Status Reports. Expenditures are reported and reimbursements are requested that are outside the reporting period covered under the Financial Status Report.
2005-05	Federal Transit - Capital Enhancement Grant CFDA # 20.500 Federal Transit Administration	Internal Control	Yes	None	Expenditures incurred by the grantee that were not recorded to the proper period in accordance with GAAP. Additionally, grant revenues related to these expenditures were not properly accrued.
2005-06	Federal Transit - Formula Grants (Urbanized Area Formula Program) CFDA # 20.507 Federal Transit Administration	Internal Control	Yes	None	Grant revenues related to expenditures incurred by the grantee during the 2004 fiscal year were not accrued as receivables at the end of 2004 in accordance with GAAP.
2005-07	Federal Transit - Formula Grants (Urbanized Area Formula Program) CFDA # 20.507 Federal Transit Administration	Allowable Costs	No	None	Preventive maintenance was charged to the grant during fiscal year 2005 and two quarters of fiscal year 2004 using a rate of 40% of the contract with the transit and maintenance service. However, the grantee provides the facility and is not eligible to utilize the 40% rate. Preventive maintenance should be charged based on actual maintenance costs as reported by the contractor.

* No questioned costs since matters dealt with reporting and cutoff

Effect	Cause	Management Response	Completion Date
Subrecipient award documents and monitoring procedures are not in compliance with federal requirements.	The grantee utilizes standard subrecipient agreement templates that do not contain the required information. Grantee also has no formal process of consistently monitoring subrecipients.	The CFDA number will be forward to each sub-recipient in the form of a contract attachment. Sub-recipients submit to HUD for review and incorporation into the City's overall quarterly performance measurement rating by HUD. Additionally, sub-recipients must attend a quarterly progress meeting to access the progress and issues that exist. Staff has developed a more standardized checklist for on-sit monitoring and file review.	October 31, 2005
Adjusting journal entries were required to record subrecipient expenditures and grant revenues to the proper period.	Grant expenditures and revenues related to subrecipients were not properly accrued at the end of the previous fiscal year.	Response to 2005-03&04. In preparing the Financial Status Report (SF-269) for the program, the intent of reporting the expenditures for the quarter is to identify all expenditures that have been posted on the general ledger. This process has been applied on a consistent basis and complies with the conversation rule of accounting principles. We allow at least 3 days of capturing all expenditures after the end of the quarter. The recognition on revenue is recognized in the same manner of the expenses. SF-269 is submitted to truasury to be processed through the LOCCS system. This process allows the Grantor to approve the reimbursement request before the revenue is posted to the general ledger. At the end of the grant year, it allows 90 days or less to make any adjustment, to finalize any draw request for monies spent at the time of closing out the grant.	October 31, 2005
Reporting in the Financial Status Reports are not representative of expenditures incurred during the quarter.	Some expenditures are not being captured and reported in the quarter for which the Financial Status Report is filed. As reimbursement requests are based on these reports, they are also inconsistently applied.		
Adjusting journal entries were required to record grant expenditures and revenues to the proper period.	Grant expenditures and revenues were not properly accrued at the end of the previous fiscal year.	Grantee will provide to accounting services a formal statement of notice at year end to ensure that all expenses that are incurred prior to year end are recorded in the proper year.	October 31, 2005
Adjusting journal entries were required to record grant expenditures and revenues to the proper period.	Grant revenues were not properly accrued at the end of the previous fiscal year.	Grantee will provide to accounting services a formal statement of notice of expenses that were incurred before year end, but for which revenues will not be received until after fiscal year end, so that they can be properly accrued.	October 31, 2005
Adjusting journal entries were required to correct the understatement of preventive maintenance costs to the grant of \$377,015.	The grantee misinterpreted the provisions of circular 9030.1C and charged preventive maintenance incorrectly to the grant.	Grantee misinterpreted the guidelines for when a percentage could be applied to calculate preventive maintenance expenses. Upon completion of the actual calculation, the City remained eligible for all preventive maintenance reimbursements. In the future, preventive maintenance expense will be accounted for using actual preventive maintenance expenses reported by the fixed route contractor.	October 31, 2005

CITY OF DURHAM NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

Section IV - State Award Findings and Questioned Costs

	State Program Information	Criteria or Specific Requirement	Considered a Material Weakness?	Questioned Costs *	Condition
2005-05	State Maintenance Assistance for Urban and Small Urban Program North Carolina Department of Transportation	Reporting	No	None	Expenditures and revenues reported in the Annual Operating Statistics Report for the fiscal year ended June 30, 2004 were incorrect and did not properly reflect all operating expenditures, fare revenues, federal preventive maintenance revenues and the correct amount of local matching funds provided.
2005-06	State Maintenance Assistance for Urban and Small Urban Program North Carolina Department of Transportation	Reporting	No	None	Expenditures and revenues reported in the "FY2005 SMAP Eligibility Calculations" report were incorrect and did not properly reflect all operating expenditures and federal preventive maintenance revenue.
2005-07	Powell Bill Funds North Carolina Department of Transportation	Reporting	No	None	Collections of assessment revenues levied on Powell Bill projects and expenses incurred for Powell Bill projects were not adequately captured for reporting purposes.

* Audit did not result in costs questioned, rather
amounts reported were not complete.

Effect	Cause	Management Response	Completion Date
The operating results presented in the Annual Operating Statistics Report for June 30, 2004 were not presented accurately.	Grant management did not have a clear understanding of the allowable costs to be applied to the grant and misunderstood the breadth of the items to be reported within the annual report.	Grantee in previous years only reported the operating expenses of the fixed route and demand responsive contractors as these were the only operating expenses. This practice continued even though the City established its own operating budget for the transit system. The expenses associated with this third operating budget are now correctly included on our most recent report and will be properly reported in the future.	October 31, 2005
The eligibility calculation was misstated. However, overall eligibility was not affected as inclusion of all allowable expenditures would have yielded a higher maximum estimated SMAP allocation.	Grant management did not have a clear understanding of the allowable costs to be applied to the grant and misunderstood the breadth of the items to be reported within the eligibility calculation.	Grantee in previous years only reported the operating expenses of the fixed route and demand responsive contractors as these were the only operating expenses. This practice continued even though the City established its own operating budget for the transit system. The expenses associated with this third operating budget will be include on our next and will be properly reported in the future.	October 31, 2005
The annual Powell Bill Expenditures Report filed with the State contains classification errors. However, the City also incurred eligible expenditures that were not reported that would satisfy all Powell Bill requirements.	Some expenditures reported as Powell Bill funds did not relate to eligible costs. Additionally, collections on assessments were not included in the report during the preparation process.	Closer monitoring will be in place for future Powell Bill Reporting to ensure that proper expenditures are captured and reported for the annual report. This will include the use of Report AB1460 "Assessment Control Sheet" in our current billing system that captures the assessment revenue received related to Powell Bill eligible streets.	November 30, 2005

CITY OF DURHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005

As of June 30, 2005, there are no uncorrected material findings and recommendations from prior audits.

